

**FORM 10-K**

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(Address of Principal Executive Offices)

(Zip Code)

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

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

| <b>Title of Each Class</b>                                                      | <b>Name of Each Exchange on Which Registered</b> |
|---------------------------------------------------------------------------------|--------------------------------------------------|
| Common Shares of beneficial interest,<br>\$.04 par value per share              | New York Stock Exchange                          |
| Series A Convertible Preferred Shares<br>of beneficial interest, no par value   | New York Stock Exchange                          |
| Cumulative Redeemable Preferred Shares of beneficial<br>interest, no par value: |                                                  |
| 8.5% Series B                                                                   | New York Stock Exchange                          |
| 8.5% Series C                                                                   | New York Stock Exchange                          |
| 7.0% Series E                                                                   | New York Stock Exchange                          |
| 6.75% Series F                                                                  | New York Stock Exchange                          |
| 6.625% Series G                                                                 | New York Stock Exchange                          |
| 6.75% Series H                                                                  | New York Stock Exchange                          |
| 6.625% Series I                                                                 | New York Stock Exchange                          |

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

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

YES ☒ NO ☐

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

YES ☐ NO ☒

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

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

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

☒ Large Accelerated Filer

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

☐ Accelerated Filer

☐ Smaller Reporting Company

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

YES ☐ NO ☒

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust, was \$7,216,326,000 at June 30, 2009.

As of December 31, 2009, there were 181,214,161 of the registrant's common shares of beneficial interest outstanding.

Documents Incorporated by Reference

**Part III:** Portions of Proxy Statement for Annual Meeting of Shareholders to be held on May 13, 2010.

**This Annual Report on Form 10-K omits financial statements required under Rule 3-09 of Regulation S-X, for Toys 'R Us, Inc. and Lexington Realty Trust. An amendment to this Annual Report on Form 10-K will be filed as promptly as practicable following the availability of such financial statements.**

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(1) These items are omitted in whole or in part because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission not later than 120 days after December 31, 2009, portions of which are incorporated by reference herein. See Executive Officers of the Registrant on page 57 of this Annual Report on Form 10-K for information relating to executive officers.

## Forward-Looking Statements

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 represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. 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 approximates, believes, expects, anticipates, estimates, intends, plan, may or other similar expressions in this Annual Report on Form 10-K. We also note the following forward-looking statements: in the case of our development projects, the estimated completion date, estimated project cost and cost to complete; and estimates of future capital expenditures, common and preferred share dividends and operating partnership distributions. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict. For further discussion of factors that could materially affect the outcome of our forward-looking statements, see Item 1A. Risk Factors in this Annual Report on Form 10-K.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Annual Report on Form 10-K.

# PART I

## ITEM 1. BUSINESS

### The Company

Vornado Realty Trust ( Vornado ) is a fully integrated real estate investment trust ( REIT ) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the Operating Partnership ). Vornado is the sole general partner of, and owned approximately 92.5% of the common limited partnership interest in, the Operating Partnership at December 31, 2009. All references to we, us, our, the Company and Vornado refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

On May 14, 2009, our Board of Trustees executed its long-planned management succession strategy and elected Michael D. Fascitelli, as our Chief Executive Officer, succeeding Steven Roth, who continues to serve as Chairman of the Board.

As of December 31, 2009, we own directly or indirectly:

### Office Properties:

- (i) all or portions of 28 properties aggregating 16.2 million square feet in the New York City metropolitan area (primarily Manhattan);
- (ii) all or portions of 84 properties aggregating 18.6 million square feet in the Washington, DC / Northern Virginia areas;
- (iii) a 70% controlling interest in 555 California Street, a three-building complex aggregating 1.8 million square feet in San Francisco's financial district;

### Retail Properties:

- (iv) 162 properties aggregating 22.6 million square feet, including 3.9 million square feet owned by tenants on land leased from us, primarily in Manhattan, the northeast states, California and Puerto Rico;

**Merchandise Mart Properties:**

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

**Toys R Us, Inc. ( Toys ):**

(vi) a 32.7% interest in Toys which owns and/or operates 1,567 stores worldwide, including 851 stores in the United States and 716 stores internationally;

**Other Real Estate Investments:**

(vii) 32.4% of the common stock of Alexander's, Inc. (NYSE: ALX), which has seven properties in the greater New York metropolitan area;

(viii) the Hotel Pennsylvania in New York City;

(ix) mezzanine loans on real estate; and

(x) other real estate and investments, including marketable securities.

## Objectives and Strategy

Our business objective is to maximize shareholder value. We intend to achieve this objective by continuing to pursue our investment philosophy and executing our operating strategies through:

- Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit;
- Investing in properties in select markets, such as New York City and Washington, DC, where we believe there is a high likelihood of capital appreciation;
- Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;
- Investing in retail properties in select under-stored locations such as the New York City metropolitan area;
- Investing in fully-integrated operating companies that have a significant real estate component; and
- Developing and redeveloping existing properties to increase returns and maximize value.

We expect to finance our growth, acquisitions and investments using internally generated funds, proceeds from possible asset sales and by accessing the public and private capital markets. We may also offer Vornado common or preferred shares or Operating Partnership units in exchange for property and may repurchase or otherwise reacquire our shares or any other securities in the future.

We may also determine to raise capital for future real estate acquisitions through an institutional investment fund. We would serve as the general partner of the fund and would also expect to be a limited partner of the fund and have the potential to earn certain incentives based on the fund's performance. The fund may serve as our exclusive investment vehicle for a limited period of time for all investments that fit within the fund's investment parameters. If we determine to raise capital through a fund, the partnership interests offered would not be registered under the Securities Act of 1933 and could not be offered or sold in the United States absent registration under that act or an applicable exemption from those registration requirements.

## BUSINESS ENVIRONMENT

The economic recession and illiquidity and volatility in the financial and capital markets have negatively affected substantially all businesses, including ours. Demand for office and retail space has declined nationwide due to bankruptcies, downsizing, layoffs and cost cutting. Real estate transactions and development opportunities have significantly curtailed and capitalization rates have risen. These trends have negatively impacted our 2008 and 2009 financial results, which include losses associated with abandoned development projects, valuation allowances on

investments in mezzanine loans and impairments on other real estate investments. The details of these non-cash charges are described in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of this annual report on Form 10-K. It is not possible for us to quantify the impact of the above trends, which may continue in 2010 and beyond, on our future financial results.

## **ACQUISITIONS and DISPOSITIONS**

We did not make any significant investments in real estate during 2009.

On September 1, 2009, we sold 1999 K Street, a newly developed 250,000 square foot office building, in Washington's Central Business District, for \$207,800,000 in cash, which resulted in a net gain of \$41,211,000. We also sold 15 retail properties during 2009 in separate transactions for an aggregate of \$55,000,000 in cash, which resulted in net gains aggregating \$4,073,000.

## Financing Activities

In April 2009, we sold 17,250,000 common shares, including underwriters' over-allotment, in an underwritten public offering pursuant to an effective registration statement at an initial public offering price of \$43.00 per share. We received net proceeds of \$710,226,000, after underwriters' discount and offering expenses and contributed the net proceeds to the Operating Partnership in exchange for 17,250,000 Class A units of the Operating Partnership.

On September 30, 2009, we completed a public offering of \$460,000,000 principal amount of 7.875% callable senior unsecured 30-year notes (NYSE: VNOD) due October 1, 2039. The notes were sold to the public at par and may be redeemed at our option, in whole or in part, beginning in October 2014 at a price equal to the principal amount plus accrued and unpaid interest. We received net proceeds of approximately \$446,000,000 from the offering which were used to repay debt and for general corporate purposes.

During 2009, we purchased \$1,912,724,000 (aggregate face amount) of our convertible senior debentures and \$352,740,000 (aggregate face amount) of our senior unsecured notes for \$1,877,510,000 and \$343,694,000 in cash, respectively. This debt was acquired through tender offers and in the open market and has been retired. We also repaid \$650,285,000 of existing property level debt and completed \$277,000,000 of property level financings.

## Development and Redevelopment Projects

We are currently engaged in certain development/redevelopment projects for which we have budgeted approximately \$200,000,000. Of this amount, \$78,118,000 was expended prior to 2009 and \$50,513,000 was expended during 2009. Substantially all of the estimated costs to complete these projects, aggregating approximately \$71,000,000, are anticipated to be expended during 2010, of which approximately \$18,000,000 will be funded by existing construction loans. We are also evaluating other development opportunities for which final plans, budgeted costs and financing have yet to be determined. There can be no assurance that any of our development projects will commence, or if commenced, be completed on schedule or within budget.

## Segment Data

We operate in the following business segments: New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties and Toys. Financial information related to these business segments for the years ended December 31, 2009, 2008 and 2007 are set forth in Note 22 Segment Information to our consolidated

financial statements in this Annual Report on Form 10-K. The Merchandise Mart Properties segment has trade show operations in Canada and Switzerland. The Toys segment has 716 locations internationally. In addition, we have five partially owned nonconsolidated investments in real estate partnerships located in India, which are included in the Other segment.

## SEASONALITY

Our revenues and expenses are subject to seasonality during the year which impacts quarterly net earnings, cash flows and funds from operations, and therefore comparisons of the current quarter to the previous quarter. The business of Toys is highly seasonal. Historically, Toys' fourth quarter net income, which we record on a one-quarter lag basis in our first quarter, accounts for more than 80% of its fiscal year net income. The New York and Washington, DC Office Properties and Merchandise Mart Properties segments have historically experienced higher utility costs in the first and third quarters of the year. The Merchandise Mart Properties segment has also experienced higher earnings in the second and fourth quarters of the year due to major trade shows occurring in those quarters. The Retail Properties segment revenue in the fourth quarter is typically higher due to the recognition of percentage rental income.

## **tenants ACCOUNTING FOR over 10% of revenues**

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2009, 2008 and 2007.

## **Certain Activities**

We are not required to base our acquisitions and investments on specific allocations by type of property. We have historically held our properties for long term investment; however, it is possible that properties in the portfolio may be sold as circumstances warrant. Further, we have not adopted a policy that limits the amount or percentage of assets which could be invested in a specific property or property type. While we may seek the vote of our shareholders in connection with any particular material transaction, generally our activities are reviewed and may be modified from time to time by our Board of Trustees without the vote of shareholders.

## **Employees**

As of December 31, 2009, we have approximately 4,597 employees, of which 308 are corporate staff. The New York Office Properties segment has 128 employees and an additional 2,512 employees of Building Maintenance Services LLC, a wholly owned subsidiary, which provides cleaning, security and engineering services primarily to our New York Office and Washington, DC Office properties. The Washington, DC Office Properties, Retail Properties and Merchandise Mart Properties segments have 396, 176 and 582 employees, respectively, and the Hotel Pennsylvania has 495 employees. The foregoing does not include employees of partially owned entities, including Toys or Alexander's, in which we own 32.7% and 32.4%, respectively.

## **principal executive offices**

Our principal executive offices are located at 888 Seventh Avenue, New York, New York 10019; telephone (212) 894 7000.

## **MATERIALS AVAILABLE ON OUR WEBSITE**

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, as well as Reports on Forms 3, 4 and 5 regarding officers, trustees or 10% beneficial owners of us, filed or furnished pursuant to Section 13(a), 15(d) or 16(a) of the Securities Exchange Act of 1934 are available free of charge through our website ([www.vno.com](http://www.vno.com)) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. Also available on our website are copies of our Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, Code of Business Conduct and Ethics and Corporate Governance Guidelines. In the event of any changes to these charters or the code or guidelines, changed copies will also be made available on our website. Copies of these documents are also available directly from us free of charge. Our website also includes other financial information about us, including certain non-GAAP financial measures, none of which is a part of this Annual Report on Form 10-K.

## ITEM 1A. RISK FACTORS

Material factors that may adversely affect our business, operations and financial condition are summarized below.

### **Real Estate Investments Value and Income Fluctuate Due to Various Factors.**

The value of real estate fluctuates depending on conditions in the general economy and the real estate business. These conditions may also limit our revenues and available cash.

The factors that affect the value of our real estate investments include, among other things:

- national, regional and local economic conditions;
- competition from other available space;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- how well we manage our properties;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- whether we are able to pass some or all of any increases in operating costs through to tenants;
- changes in real estate taxes and other expenses;
- whether tenants and users such as customers and shoppers consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- availability of financing on acceptable terms or at all;
- fluctuations in interest rates;
- our ability to secure adequate insurance;
- changes in taxation;
- changes in zoning laws;

- government regulation;
- consequences of any armed conflict involving, or terrorist attack against, the United States;
- natural disasters;
- potential liability under environmental or other laws or regulations; and
- general competitive factors.

The rents we receive and the occupancy levels at our properties may decline as a result of adverse changes in any of these factors. If rental revenues and/or occupancy levels decline, we generally would expect to have less cash available to pay indebtedness and for distribution to shareholders. In addition, some of our major expenses, including mortgage payments, real estate taxes and maintenance costs, generally do not decline when the related rents decline.

***Capital markets and economic conditions can materially affect our financial condition and results of operations and the value of our debt and equity securities.***

There are many factors that can affect the value of our debt and equity securities, including the state of the capital markets and the economy, which have recently negatively affected substantially all businesses, including ours. Demand for office and retail space has declined nationwide due to bankruptcies, downsizing, layoffs and cost cutting. Real estate transactions and development opportunities have significantly curtailed and capitalization rates have risen. As a result, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers, and this may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. If these market conditions continue, they may limit our ability and the ability of our tenants, to timely refinance maturing liabilities and access the capital markets to meet liquidity needs which may materially affect our financial condition and results of operations and the value of our debt and equity securities.

***Real estate is a competitive business.***

Our business segments New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties, Toys and Other operate in highly competitive environments. We have a large concentration of properties in the New York City metropolitan area and in the Washington, DC / Northern Virginia areas. We compete with a large number of property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, attractiveness of location, the quality of the property and the breadth and quality of services provided. Our success depends upon, among other factors, trends of the national, regional and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulation, legislation and population trends.

***We depend on leasing space to tenants on economically favorable terms and collecting rent from tenants who may not be able to pay.***

Our financial results depend significantly on leasing space in our properties to tenants on economically favorable terms. In addition, because a substantial majority of our income comes from renting of real property, our income, funds available to pay indebtedness and funds available for distribution to shareholders will decrease if a significant number of our tenants cannot pay their rent or if we are not able to maintain occupancy levels on favorable terms. If a tenant does not pay its rent, we may not be able to enforce our rights as landlord without delays and may incur substantial legal costs. During periods of economic adversity such as we are currently experiencing, there may be an increase in the number of tenants that cannot pay their rent and an increase in vacancy rates.

***Bankruptcy or insolvency of tenants may decrease our revenues and available cash.***

From time to time, some of our tenants have declared bankruptcy, and other tenants may declare bankruptcy or become insolvent in the future. In the case of our shopping centers, the bankruptcy or insolvency of a major tenant could cause us to suffer lower revenues and operational difficulties, including leasing the remainder of the property. As a result, the bankruptcy or insolvency of a major tenant could result in a lower level of net income and funds available for the payment of indebtedness or for distribution to shareholders. The current economic environment and market conditions may result in tenant bankruptcies and write-offs, which could, in the aggregate, be material to our results of operations in a particular period.

***We may incur costs to comply with environmental laws.***

Our operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment, including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair our ability to sell or lease real estate or to borrow

using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) and underground storage tanks are also regulated by federal and state laws. We are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. We could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or tanks or related claims arising out of environmental contamination or human exposure to contamination at or from our properties.

Each of our properties has been subject to varying degrees of environmental assessment. The environmental assessments did not, as of this date, reveal any environmental condition material to our business. However, identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, discovery of additional sites, human exposure to the contamination or changes in clean-up or compliance requirements could result in significant costs to us.

***Inflation or deflation may adversely affect our financial condition and results of operations.***

Although neither inflation nor deflation has materially impacted our operations in the recent past, increased inflation could have a pronounced negative impact on our mortgages and interest rates and general and administrative expenses, as these costs could increase at a rate higher than our rents. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our percentage rents, where applicable. Conversely, deflation could lead to downward pressure on rents and other sources of income. In addition, we own 9 residential properties which are leased to tenants with one-year lease terms. Because these are short-term leases, declines in market rents will impact our residential properties faster than if the leases were for longer terms.

***Some of our potential losses may not be covered by insurance.***

We maintain general liability insurance with limits of \$300,000,000 per occurrence and all risk property and rental value insurance with limits of \$2.0 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of \$150,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, and a \$150,000,000 annual aggregate.

Penn Plaza Insurance Company, LLC ( PPIC ), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of our earthquake insurance coverage and as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ( NBCR ) acts, as defined by TRIPRA. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Our coverage for NBCR losses is up to \$2 billion per occurrence, for which PPIC is responsible for a deductible of \$3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by PPIC.

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

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

***Because we operate a hotel, we face the risks associated with the hospitality industry.***

We own and operate the Hotel Pennsylvania in New York City. The following factors, among others, are common to the hotel industry and may reduce the revenues generated by the hotel, which would reduce cash available for distribution to our shareholders:

- our hotel competes for guests with other hotels, a number of which have greater marketing and financial resources;
- if there is an increase in operating costs resulting from inflation and other factors, we may not be able to offset such increase by increasing room rates;
- our hotel is subject to the fluctuating and seasonal demands of business travelers and tourism;
- our hotel is subject to general and local economic and social conditions that may affect demand for travel in general, including war and terrorism; and
- physical condition, which may require substantial additional capital.

***Because of the ownership structure of the Hotel Pennsylvania, we face potential adverse effects from changes to the applicable tax laws.***

Under the Internal Revenue Code, REITs like us are not allowed to operate hotels directly or indirectly. Accordingly, we lease the Hotel Pennsylvania to our taxable REIT subsidiary ( TRS ). While the TRS structure allows the economic benefits of ownership to flow to us, the TRS is subject to tax on its income from the operations of the hotel at the federal and state level. In addition, the TRS is subject to detailed tax regulations that affect how it may be capitalized and operated. If the tax laws applicable to a TRS are modified, we may be forced to modify the structure for owning the hotel, and such changes may adversely affect the cash flows from the hotel. In addition, the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income tax legislation, and we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such actions may prospectively or retroactively modify the tax treatment of the TRS and, therefore, may adversely affect our after-tax returns from the hotel.

***Compliance or failure to comply with the Americans with Disabilities Act or other safety regulations and requirements could result in substantial costs.***

The Americans with Disabilities Act generally requires that public buildings, including our properties, be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. From time to time persons have asserted claims against us with respect to some of our properties under this Act, but to date such claims have not resulted in any material expense or liability. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to shareholders.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

**Our Investments Are Concentrated in the New York CITY METROPOLITAN AREA and Washington, DC / NORTHERN VIRGINIA Areas. Circumstances Affecting These Areas Generally Could Adversely Affect Our Business.**

***A significant portion of our properties are in the New York City / New Jersey metropolitan areas and Washington, DC / Northern Virginia areas are affected by the economic cycles and risks inherent to those areas.***

During 2009, approximately 75% of our EBITDA, excluding items that affect comparability, came from properties located in the New York City / New Jersey metropolitan areas and the Washington, DC / Northern Virginia areas. We may continue to concentrate a significant portion of our future acquisitions in these areas or in other geographic real estate markets in the United States or abroad. Real estate markets are subject to economic downturns, as they are currently and have been in the past, and we cannot predict how economic conditions will impact these markets in both the short and long term. Declines in the economy or a decline in the real estate markets in these areas could hurt our financial performance and the value of our properties. The factors affecting economic conditions in these regions include:

- financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries;
- space needs of the United States Government, including the effect of base closures and repositioning under the Defense Base Closure and Realignment Act of 2005, as amended;

- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- infrastructure quality; and
- any oversupply of, or reduced demand for, real estate.

It is impossible for us to assess with certainty, the future effects of the current adverse trends in the economic and investment climates of the geographic areas in which we concentrate, and more generally of the United States, or the real estate markets in these areas. If these conditions persist or if there is any further local, national or global economic downturn, our businesses and future profitability will be adversely affected.

***Terrorist attacks, such as those of September 11, 2001 in New York City and the Washington, DC area, may adversely affect the value of our properties and our ability to generate cash flow.***

We have significant investments in large metropolitan areas, including the New York, Washington, DC, Chicago, Boston and San Francisco metropolitan areas. In the aftermath of a terrorist attack, tenants in these areas may choose to relocate their businesses to less populated, lower-profile areas of the United States that may be perceived to be less likely targets of future terrorist activity and fewer customers may choose to patronize businesses in these areas. This, in turn, would trigger a decrease in the demand for space in these areas, which could increase vacancies in our properties and force us to lease space on less favorable terms. As a result, the value of our properties and the level of our revenues and cash flows could decline materially.

**We May Acquire or Sell Additional Assets or Entities or Develop Additional Properties. Our Failure or Inability to Consummate These Transactions or Manage the Results of These Transactions Could Adversely Affect Our Operations and Financial Results.**

*We have grown rapidly since 1998 through acquisitions. We may not be able to maintain this rapid growth and our failure to do so could adversely affect our stock price.*

We have experienced rapid growth since 1998, increasing our total assets from approximately \$4.4 billion at December 31, 1998 to approximately \$20.2 billion at December 31, 2009. We may not be able to maintain a similar rate of growth in the future or manage growth effectively. Our failure to do so may have a material adverse effect on our financial condition and results of operations and ability to pay dividends to shareholders.

*We may acquire or develop properties or acquire other real estate related companies and this may create risks.*

We may acquire or develop properties or acquire other real estate related companies when we believe that an acquisition or development is consistent with our business strategies. We may not, however, succeed in consummating desired acquisitions or in completing developments on time or within budget. In addition, we may face competition in pursuing acquisition or development opportunities that could increase our costs. When we do pursue a project or acquisition, we may not succeed in leasing newly developed or acquired properties at rents sufficient to cover our costs of acquisition and development or in operating the businesses we acquired. Difficulties in integrating acquisitions may prove costly or time-consuming and could divert management's attention. Acquisitions or developments in new markets or industries where we do not have the same level of market knowledge may result in poorer than anticipated performance. We may also abandon acquisition or development opportunities that we have begun pursuing and consequently fail to recover expenses already incurred and have devoted management time to a matter not consummated. Furthermore, acquisitions of new properties or companies will expose us to the liabilities of those properties or companies, some of which we may not be aware at the time of acquisition. In addition, development of our existing properties presents similar risks.

*From time to time we have made, and in the future we may seek to make, one or more material acquisitions. The announcement of such a material acquisition may result in a rapid and significant decline in the price of our common shares.*

We are continuously looking at material transactions that we will believe will maximize shareholder value. However, an announcement by us of one or more significant acquisitions could result in a quick and significant decline in the price of our common shares and convertible and exchangeable securities.

*It may be difficult to buy and sell real estate quickly.*

Real estate investments are relatively difficult to buy and sell quickly. Consequently, we may have limited ability to vary our portfolio promptly in response to changes in economic or other conditions.

***We may not be permitted to dispose of certain properties or pay down the debt associated with those properties when we might otherwise desire to do so without incurring additional costs.***

As part of an acquisition of a property, including our January 1, 2002 acquisition of Charles E. Smith Commercial Realty L.P.'s 13.0 million square foot portfolio, we may agree, and in the case of Charles E. Smith Commercial Realty L.P. did agree, with the seller that we will not dispose of the acquired properties or reduce the mortgage indebtedness on them for a period of 12 years, unless we pay certain of the resulting tax costs of the seller. These agreements could result in us holding on to properties that we would otherwise sell and not pay down or refinance indebtedness that we would otherwise pay down or refinance.

***On January 1, 2002, we completed the acquisition of the 66% interest in Charles E. Smith Commercial Realty L.P. that we did not previously own. The terms of the merger restrict our ability to sell or otherwise dispose of, or to finance or refinance, the properties formerly owned by Charles E. Smith Commercial Realty L.P., which could result in our inability to sell these properties at an opportune time and increase costs to us.***

As indicated above, subject to limited exceptions, we are restricted from selling or otherwise transferring or disposing of certain properties located in the Crystal City area of Arlington, Virginia for a period of 12 years. These restrictions, which currently cover approximately 13.0 million square feet of space, could result in our inability to sell these properties at an opportune time and increase costs to us.

***From time to time we make investments in companies over which we do not have sole control. Some of these companies operate in industries that differ from our current operations, with different risks than investing in real estate.***

From time to time we make debt or equity investments in other companies that we may not control or over which we may not have sole control. These investments include but are not limited to, Alexander's, Inc., Toys 'R Us, Lexington Realty Trust, and equity and mezzanine investments in other entities that have significant real estate assets. Although these businesses generally have a significant real estate component, some of them operate in businesses that are different from our primary lines of business including, without limitation, operating or managing toy stores and department stores. Consequently, investments in these businesses, among other risks, subjects us to the operating and financial risks of industries other than real estate and to the risk that we do not have sole control over the operations of these businesses. From time to time we may make additional investments in or acquire other entities that may subject us to additional similar risks. Investments in entities over which we do not have sole control, including joint ventures, present additional risks such as having differing objectives than our partners or the entities in which we invest, or becoming involved in disputes, or competing with those persons. In addition, we rely on the internal controls and financial reporting controls of these entities and their failure to comply with applicable standards may adversely affect us.

***We are subject to risks that affect the general retail environment.***

A substantial portion of our properties are in the retail shopping center real estate market and we have a significant investment in retailers such as Toys. See *Our investment in Toys subjects us to risks different from our other lines of business and may result in increased seasonality and volatility in our reported earnings* below. This means that we are subject to factors that affect the retail environment generally, including the level of consumer spending and consumer confidence, the threat of terrorism and increasing competition from discount retailers, outlet malls, retail websites and catalog companies. These factors could adversely affect the financial condition of our retail tenants and the retailers in which we hold an investment and the willingness of retailers to lease space in our shopping centers, and in turn, adversely affect us.

***We depend upon our anchor tenants to attract shoppers.***

We own several regional malls and other shopping centers that are typically anchored by well-known department stores and other tenants who generate shopping traffic at the mall or shopping center. The value of our properties would be adversely affected if tenants or anchors failed to meet their contractual obligations, sought concessions in order to continue operations or ceased their operations, including as a result of bankruptcy. If the sales of stores operating in our properties were to decline significantly due to economic conditions, closing of anchors or for other reasons, tenants may be unable to pay their minimum rents or expense recovery charges. In the event of a default by a tenant or anchor, we may experience delays and costs in enforcing our rights as landlord.

***Our investment in Toys subjects us to risks that are different from our other lines of business and may result in increased seasonality and volatility in our reported earnings.***

On July 21, 2005, a joint venture that we own equally with Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys. Because Toys is a retailer, its operations subject us to the risks of a retail company that are different than those presented by our other lines of business. The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. In addition, our fiscal year ends on December 31 whereas, as is common for retailers, Toys' fiscal year ends on the Saturday nearest to January 31. Therefore, we record our pro-rata share of Toys' net earnings on a one-quarter lag basis. For example, our financial results for the year ended December 31, 2009 include Toys' financial results for its first, second and third quarters ended October 31, 2009, as well as Toys' fourth quarter results of 2008. Because of the seasonality of Toys, our reported net income shows increased volatility. We may also, in the future and from time to time, invest in other businesses that may report financial results that are more volatile than our historical financial results.

***Our decision to dispose of real estate assets would change the holding period assumption in our valuation analyses, which could result in material impairment losses and adversely affect our financial results.***

We evaluate real estate assets for impairment based on the projected cash flow of the asset over our anticipated holding period. If we change our intended holding period, due to our intention to sell or otherwise dispose of an asset, then under generally accepted accounting principles we must reevaluate whether that asset is impaired. Depending on the carrying value of the property at the time we change our intention and the amount that we estimate we would receive on disposal, we may record an impairment loss that would adversely affect our financial results. This loss could be material to our results of operations in the period that it is recognized.

***We invest in subordinated or mezzanine debt of certain entities that have significant real estate assets. These investments involve greater risk of loss than investments in senior mortgage loans.***

We invest, and may in the future invest, in subordinated or mezzanine debt of certain entities that have significant real estate assets. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. These investments involve greater risk of loss than investments in senior mortgage loans which are secured by real property. If a borrower defaults on debt to us or on debt senior to us, or declares bankruptcy, we may not be able to recover some or all of our investment. In addition, there may be significant delays and costs associated with the process of foreclosing on collateral securing or supporting these investments. The value of the assets securing or supporting our investments could deteriorate over time due to factors beyond our control, including acts or omissions by owners, changes in business, economic or market conditions, or foreclosure. Such deteriorations in value may result in the recognition of impairment losses and/or valuation allowances on our statements of income. As of December 31, 2009, our mezzanine debt securities have an aggregate carrying amount of \$203,286,000, net of a \$190,738,000 valuation allowance.

We evaluate the collectibility of both interest and principal of each of our loans each quarter, if circumstances warrant, in determining whether they are impaired. A loan is impaired when based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the estimated fair value of the loan or, as a practical expedient, to the value of the collateral if repayment of the loan is collateral dependent. There can be no assurance that our estimates of collectible amounts will not change over time or that they will be representative of the amounts we will actually collect, including amounts we would collect if we chose to sell these investments before their maturity. If we collect less than our estimates, we will record impairment losses which could be material.

***We invest in marketable equity securities of companies that have significant real estate assets. The value of these investments may decline as a result of operating performance or economic or market conditions.***

We invest, and may in the future invest, in marketable equity securities of publicly-traded real estate companies or companies that have significant real estate assets. As of December 31, 2009, our marketable securities have an aggregate carrying amount of \$380,652,000. Significant declines in the value of these investments due to operating performance or economic or market conditions may result in the recognition of impairment losses which could be material.

## **Our Organizational and Financial Structure Gives Rise to Operational and Financial Risks.**

***We May Not Be Able to Obtain Capital to Make Investments.***

We depend primarily on external financing to fund the growth of our business. This is because one of the requirements of the Internal Revenue Code of 1986, as amended, for a REIT is that it distributes 90% of its net taxable income, excluding net capital gains, to its shareholders. There is a separate requirement to distribute net capital gains or pay a corporate level tax in lieu thereof. Our access to debt or equity financing depends on the willingness of third parties to lend or make equity investments and on conditions in the capital markets generally. As a result of the current capital markets and environmental conditions referred to above, we and other companies in the real estate industry are currently experiencing limited availability of financing and there can be no assurances as to when more financing will be available. Although we believe that we will be able to finance any investments we may wish to make in the foreseeable future, new financing may not be available on acceptable terms.

For information about our available sources of funds, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources and the notes to the consolidated financial statements in this Annual Report on Form 10-K.

***Vornado Realty Trust depends on dividends and distributions from its direct and indirect subsidiaries. The creditors and preferred security holders of these subsidiaries are entitled to amounts payable to them by the subsidiaries before the subsidiaries may pay any dividends or distributions to Vornado Realty Trust.***

Substantially all of Vornado Realty Trust's assets are held through its Operating Partnership that holds substantially all of its properties and assets through subsidiaries. The Operating Partnership's cash flow is dependent on cash distributions to it by its subsidiaries, and in turn, substantially all of Vornado Realty Trust's cash flow is dependent on cash distributions to it by the Operating Partnership. The creditors of each of Vornado Realty Trust's direct and indirect subsidiaries are entitled to payment of that subsidiary's obligations to them, when due and payable, before distributions may be made by that subsidiary to its equity holders. Thus, the Operating Partnership's ability to make distributions to holders of its units depends on its subsidiaries' ability first to satisfy their obligations to their creditors and then to make distributions to the Operating Partnership. Likewise, Vornado Realty Trust's ability to pay dividends to holders of common and preferred shares depends on the Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions payable to holders of preferred units and then to make distributions to Vornado Realty Trust.

Furthermore, the holders of preferred units of the Operating Partnership are entitled to receive preferred distributions before payment of distributions to holders of Class A units of the Operating Partnership, including Vornado Realty Trust. Thus, Vornado Realty Trust's ability to pay cash dividends to its shareholders and satisfy its debt obligations depends on the Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions to holders of its preferred units and then to holders of its Class A units, including Vornado Realty Trust. As of December 31, 2009, there were seven series of preferred units of the Operating Partnership not held by Vornado Realty Trust with a total liquidation value of \$340,078,000.

In addition, Vornado Realty Trust's participation in any distribution of the assets of any of its direct or indirect subsidiaries upon the liquidation, reorganization or insolvency, is only after the claims of the creditors, including trade creditors and preferred security holders, are satisfied.

***We have outstanding debt, and it and its cost may increase and refinancing may not be available on acceptable terms.***

As of December 31, 2009, we had approximately \$14.1 billion of total debt outstanding, including our pro rata share of debt of partially owned entities. Our ratio of total debt to total enterprise value was approximately 47%. When we say "enterprise value" in the preceding sentence, we mean market equity value of Vornado Realty Trust's common and preferred shares plus total debt outstanding, including our pro rata share of debt of partially owned entities. In the future, we may incur additional debt to finance acquisitions or property developments and thus increase our ratio of total debt to total enterprise value. If our level of indebtedness increases, there may be an increased risk of a credit rating downgrade or a default on our obligations that could adversely affect our financial condition and results of operations. In addition, in a rising interest rate environment, the cost of existing variable rate debt and any new debt or other market rate security or instrument may increase. Furthermore, we may not be able to refinance existing indebtedness in sufficient amounts or on acceptable terms.

***Covenants in our debt instruments could adversely affect our financial condition and our acquisitions and development activities.***

The mortgages on our properties contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. Our unsecured credit facilities, unsecured debt securities and other loans that we may obtain in the future contain, or may contain, customary restrictions, requirements and other limitations on our ability to incur indebtedness, including covenants that limit our ability to incur debt based upon the level of our ratio of total debt to total assets, our ratio of secured debt to total assets, our ratio of EBITDA to interest expense, and fixed charges, and that require us to maintain a certain level of unencumbered assets to unsecured debt. Our ability to borrow is subject to compliance with these and other covenants. In addition, failure to comply with our covenants could cause a default under the applicable debt instrument, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us, or may be available only on unattractive terms.

We rely on debt financing, including borrowings under our unsecured credit facilities, issuances of unsecured debt securities and debt secured by individual properties, to finance acquisitions and development activities and for working capital. If we are unable to obtain debt financing from these or other sources, or refinance existing indebtedness upon maturity, our financial condition and results of operations would likely be adversely affected. If we breach covenants in our debt agreements, the lenders can declare a default and, if the debt is secured, can take possession of the property securing the defaulted loan.

***Vornado Realty Trust may fail to qualify or remain qualified as a REIT and may be required to pay income taxes at corporate rates.***

Although we believe that we will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, we may fail to remain qualified in this way. Qualification as a REIT for federal income tax purposes is governed by highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial or administrative interpretations. Our qualification as a REIT also depends on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualifying as a REIT.

If, with respect to any taxable year, we fail to maintain our qualification as a REIT and do not qualify under statutory relief provisions, we could not deduct distributions to shareholders in computing our taxable income and would have to pay federal income tax on our taxable income at regular corporate rates. The federal income tax payable would include any applicable alternative minimum tax. If we had to pay federal income tax, the amount of money available to distribute to shareholders and pay our indebtedness would be reduced for the year or years involved, and we would no longer be required to make distributions to shareholders. In addition, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless we were entitled to relief under the relevant statutory provisions. Although we currently intend to operate in a manner designed to allow us to qualify as a REIT, future economic, market, legal, tax or other considerations may cause us to revoke the REIT election or fail to qualify as a REIT.

***We face possible adverse changes in tax laws, which may result in an increase in our tax liability.***

From time to time changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. The shortfall in tax revenues for states and municipalities in recent years may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income. These increased tax costs could adversely affect our financial condition and results of operations and the amount of cash available for payment of dividends.

***Loss of our key personnel could harm our operations and adversely affect the value of our common shares.***

We are dependent on the efforts of Steven Roth, the Chairman of the Board of Trustees of Vornado Realty Trust, and Michael D. Fascitelli, the President and Chief Executive Officer of Vornado Realty Trust. While we believe that we could find replacements for these key personnel, the loss of their services could harm our operations and adversely affect the value of our common shares.

***Vornado Realty Trust's charter documents and applicable law may hinder any attempt to acquire us.***

***Our Amended and Restated Declaration of Trust sets limits on the ownership of our shares.***

Generally, for Vornado Realty Trust to maintain its qualification as a REIT under the Internal Revenue Code, not more than 50% in value of the outstanding shares of beneficial interest of Vornado Realty Trust may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of Vornado Realty Trust's taxable year. The Internal Revenue Code defines "individuals" for purposes of the requirement described in the preceding sentence to include some types of entities. Under Vornado Realty Trust's Amended and Restated Declaration of Trust, as amended, no person may own more than 6.7% of the outstanding common shares of any class, or 9.9% of the outstanding preferred shares of any class, with some exceptions for persons who held common shares in excess of the 6.7% limit before Vornado Realty Trust adopted the limit and other persons approved by Vornado Realty Trust's Board of Trustees. These restrictions on transferability and ownership may delay, deter or prevent a change in control of Vornado Realty Trust or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. We refer to Vornado Realty Trust's Amended and Restated Declaration of Trust, as amended, as the declaration of trust.

***We have a classified Board of Trustees and that may reduce the likelihood of certain takeover transactions.***

Vornado Realty Trust's Board of Trustees is divided into three classes of trustees. Trustees of each class are chosen for three-year staggered terms. Staggered terms of trustees may reduce the possibility of a tender offer or an attempt to change control of Vornado Realty Trust, even though a tender offer or change in control might be in the best interest of Vornado Realty Trust's shareholders.

***We may issue additional shares in a manner that could adversely affect the likelihood of certain takeover transactions.***

Vornado Realty Trust's declaration of trust authorizes the Board of Trustees to:

- cause Vornado Realty Trust to issue additional authorized but unissued common shares or preferred shares;
- classify or reclassify, in one or more series, any unissued preferred shares;
- set the preferences, rights and other terms of any classified or reclassified shares that Vornado Realty Trust issues; and
- increase, without shareholder approval, the number of shares of beneficial interest that Vornado Realty Trust may issue.

The Board of Trustees could establish a series of preferred shares whose terms could delay, deter or prevent a change in control of Vornado Realty Trust or other transaction that might involve a premium price or otherwise be in the best interest of Vornado Realty Trust's shareholders, although the Board of Trustees does not now intend to establish a series of preferred shares of this kind. Vornado Realty Trust's declaration of trust and bylaws contain other provisions that may delay, deter or prevent a change in control of Vornado Realty Trust or other transaction that might involve a premium price or otherwise be in the best interest of our shareholders.

***The Maryland General Corporation Law contains provisions that may reduce the likelihood of certain takeover transactions.***

Under the Maryland General Corporation Law, as amended, which we refer to as the MGCL, as applicable to REITs, certain business combinations, including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland REIT and any person who beneficially owns ten percent or more of the voting power of the trust's shares or an affiliate or an associate, as defined in the MGCL, of the trust who, at any time within the two-year period before the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of beneficial interest of the trust, which we refer to as an interested shareholder, or an affiliate of the interested shareholder, are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. After that five-year period, any business combination of these kinds must be recommended by the board of trustees of the trust and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding voting shares of beneficial interest of the trust and (b) two-thirds of the votes entitled to be cast by holders of voting shares of beneficial interest of the trust other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected or held by an affiliate or associate of the interested shareholder. These supermajority voting requirements do not apply if the trust's common shareholders receive a minimum price, as defined in the MGCL, for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares.

The provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of trustees of the applicable trust before the interested shareholder becomes an interested shareholder, and a person is not an interested shareholder if the board of trustees approved in advance the transaction by which the person otherwise would have become an interested shareholder.

In approving a transaction, the Board may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the Board. Vornado Realty Trust's Board has adopted a resolution exempting any business combination between any trustee or officer of Vornado Realty Trust, or their affiliates, and Vornado Realty Trust. As a result, the trustees and officers of Vornado Realty Trust and their affiliates may be able to enter into business combinations with Vornado Realty Trust that may not be in the best interest of its shareholders. With respect to business combinations with other persons, the business combination provisions of the MGCL may have the effect of delaying, deferring or preventing a change in control of Vornado Realty Trust or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. The business combination statute may discourage others from trying to acquire control of Vornado Realty Trust and increase the difficulty of consummating any offer.

***We may change our policies without obtaining the approval of our shareholders.***

Our operating and financial policies, including our policies with respect to acquisitions of real estate or other companies, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by our Board of Trustees. Accordingly, our shareholders do not control these policies.

## **Our Ownership Structure and Related-Party Transactions May Give Rise to Conflicts of Interest.**

*Steven Roth and Interstate Properties may exercise substantial influence over us. They and some of our other trustees and officers have interests or positions in other entities that may compete with us.*

As of December 31, 2009, Interstate Properties, a New Jersey general partnership, and its partners owned approximately 7.3% of the common shares of Vornado Realty Trust and approximately 27.2% of the common stock of Alexander's, Inc. (Alexander's), which is described below. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board of Vornado Realty Trust, the managing general partner of Interstate Properties and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado Realty Trust and also directors of Alexander's.

Because of these overlapping interests, Mr. Roth and Interstate Properties and its partners may have substantial influence over Vornado Realty Trust and on the outcome of any matters submitted to Vornado Realty Trust shareholders for approval. In addition, certain decisions concerning our operations or financial structure may present conflicts of interest among Messrs. Roth, Mandelbaum and Wight and Interstate Properties and our other equity or debt holders. In addition, Mr. Roth, Interstate Properties and its partners, and Alexander's currently and may in the future engage in a wide variety of activities in the real estate business which may result in conflicts of interest with respect to matters affecting us, such as which of these entities or persons, if any, may take advantage of potential business opportunities, the business focus of these entities, the types of properties and geographic locations in which these entities make investments, potential competition between business activities conducted, or sought to be conducted, competition for properties and tenants, possible corporate transactions such as acquisitions and other strategic decisions affecting the future of these entities.

Vornado Realty Trust currently manages and leases the real estate assets of Interstate Properties under a management agreement for which it receives an annual fee equal to 4% of base rent and percentage rent and certain other commissions. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on 60 days' notice at the end of the term. Vornado Realty Trust earned \$782,000, \$803,000, and \$800,000 of management fees under the management agreement for the years ended December 31, 2009, 2008 and 2007. Because of the relationship among Vornado Realty Trust, Interstate Properties and Messrs. Roth, Mandelbaum and Wight, as described above, the terms of the management agreement and any future agreements between Vornado Realty Trust and Interstate Properties may not be comparable to those Vornado Realty Trust could have negotiated with an unaffiliated third party.

*There may be conflicts of interest between Alexander's and us.*

As of December 31, 2009, the Operating Partnership owned 32.4% of the outstanding common stock of Alexander's. Alexander's is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander's has seven properties, which are located in the greater New York metropolitan area. In addition to the 32.4% that they own indirectly through Vornado, Interstate Properties, which is described above, and its partners owned 27.2% of the

outstanding common stock of Alexander's as of December 31, 2009. Mr. Roth is the Chairman of the Board of Vornado Realty Trust, the managing general partner of Interstate, and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado Realty Trust and also directors of Alexander's and general partners of Interstate. Michael D. Fascitelli is the President and Chief Executive Officer of Vornado Realty Trust and the President of Alexander's and Dr. Richard West is a trustee of Vornado and a director of Alexander's. In addition, Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Alexander's. Alexander's common stock is listed on the New York Stock Exchange under the symbol ALX.

The Operating Partnership manages, develops and leases the Alexander's properties under management and development agreements and leasing agreements under which the Operating Partnership receives annual fees from Alexander's. These agreements have a one-year term expiring in March of each year and are all automatically renewable. Because Vornado Realty Trust and Alexander's share common senior management and because certain of the trustees of Vornado Realty Trust constitute a majority of the directors of Alexander's, the terms of the foregoing agreements and any future agreements between us and Alexander's may not be comparable to those we could have negotiated with an unaffiliated third party.

For a description of Interstate Properties' ownership of Vornado Realty Trust and Alexander's, see Steven Roth and Interstate Properties may exercise substantial influence over us. They and some of our other trustees and officers have interests or positions in other entities that may compete with us above.

**The Number of Shares of Vornado Realty Trust and the Market for Those Shares Give Rise to Various Risks.**

*The trading price of our common shares has recently been volatile and may fluctuate.*

The trading price of our common shares has recently been volatile and may continue to fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations have adversely affected and may continue to adversely affect the market price of our common shares. Among the factors that could affect the price of our common shares are:

- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- the reputation of REITs and real estate investments generally and the attractiveness of REIT equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- continued uncertainty and volatility in the equity and credit markets;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other real estate investment trusts;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- the extent of institutional interest in us;
- the extent of short-selling of our common shares and the shares of our competitors;
- fluctuations in the stock price and operating results of our competitors;
- general financial and economic market conditions and, in particular, developments related to market conditions for real estate investment trusts and other real estate related companies; and
- domestic and international economic factors unrelated to our performance.

A significant decline in our stock price could result in substantial losses for shareholders.

***Vornado Realty Trust has many shares available for future sale, which could hurt the market price of its shares.***

As of December 31, 2009, we had authorized but unissued, 68,785,839 common shares of beneficial interest, \$.04 par value and 76,047,676 preferred shares of beneficial interest, no par value; of which 34,058,475 common shares are reserved for issuance upon redemption of Class A Operating Partnership units, convertible securities and employee stock options and 8,000,000 preferred shares are reserved for issuance upon redemption of preferred Operating Partnership units. Any shares not reserved may be issued from time to time in public or private offerings or in connection with acquisitions. In addition, common and preferred shares reserved may be sold upon issuance in the public market after registration under the Securities Act or under Rule 144 under the Securities Act or other available exemptions from registration. We cannot predict the effect that future sales of our common and preferred shares or Operating Partnership Class A and preferred units will have on the market prices of our outstanding shares.

***Increased market interest rates may hurt the value of Vornado Realty Trust's common and preferred shares.***

We believe that investors consider the distribution rate on REIT shares, expressed as a percentage of the price of the shares, relative to market interest rates as an important factor in deciding whether to buy or sell the shares. If market interest rates go up, prospective purchasers of REIT shares may expect a higher distribution rate. Higher interest rates would likely increase our borrowing costs and might decrease funds available for distribution. Thus, higher market interest rates could cause the market price of Vornado Realty Trust's common and preferred shares to decline.

**Item 1b.      unresolved staff comments**

There are no unresolved comments from the staff of the Securities Exchange Commission as of the date of this Annual Report on Form 10-K.

**Item 2.      Properties**

We operate in five business segments: New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties and Toys “R” Us ( “Toys” ). The following pages provide details of our real estate properties.

**Item 2. Properties - continued**

| Property                                                | Square Feet |           |                                  |             |             |             | Encumbrances<br>(in thousands)                                                                                                                  | Major Tenants |
|---------------------------------------------------------|-------------|-----------|----------------------------------|-------------|-------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
|                                                         | Ownership   | Occupancy | Annualized<br>Rent<br>PSF<br>(1) | In Service  |             | Out of      |                                                                                                                                                 |               |
|                                                         |             |           |                                  | Owned<br>by | Owned<br>By | Service     |                                                                                                                                                 |               |
|                                                         |             |           |                                  |             |             | Undeveloped |                                                                                                                                                 |               |
| NEW YORK<br>OFFICE:<br>New York<br>City:<br>Penn Plaza: |             |           |                                  | Total       | Tenant      | Development |                                                                                                                                                 |               |
| One Penn Plaza<br>(ground leased through 2098)          | 100.0%      | 95.6%     | \$ 24,460,000                    | 1,446,000   | -           | -           | \$ - BMG Columbia House, Buck Consultants, Cisco, Kmart, MWB Leasing, Parsons Brinkerhoff, United Health Care, United States Customs Department |               |
| Two Penn Plaza                                          | 100.0%      | 98.5%     | \$ 46,577,000                    | 1,577,000   | -           | - 282,492   | LMW Associates, EMC, Forest Electric, IBI, Madison Square Garden, McGraw-Hill Co., Inc.                                                         |               |
| Eleven Penn Plaza                                       | 100.0%      | 95.5%     | \$ 50,065,000                    | 1,065,000   | -           | - 203,198   | Macy's, Madison Square Garden, Rainbow Media Holdings                                                                                           |               |
| 100 West 33rd Street                                    | 100.0%      | 92.4%     | \$ 47,846,000                    | 846,000     | -           | - 159,361   | Bank of America, Draft FCB                                                                                                                      |               |
| 330 West 34th Street<br>(ground leased through 2148)    | 100.0%      | 99.2%     | \$ 34,067,000                    | 637,000     | -           | -           | - City of New York, Interieurs Inc., The Bank of New York                                                                                       |               |
| Total Penn Plaza                                        |             | 96.2%     | \$ 49,571,000                    | 1,571,000   | -           | - 645,051   |                                                                                                                                                 |               |
| East Side:                                              |             |           |                                  |             |             |             |                                                                                                                                                 |               |
| 909 Third Avenue                                        | 100.0%      | 92.9%     | \$ 58,323,000                    | 1,323,000   | -           | - 210,660   | J.P. Morgan Securities Inc., Citibank, Forest Laboratories,                                                                                     |               |

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|                                    |        |        |            |           |   |   |                                                                                                                                                                     |
|------------------------------------|--------|--------|------------|-----------|---|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (ground<br>leased<br>through 2063) |        |        |            |           |   |   | Geller & Company,<br>Morrison Cohen LLP,<br>Robeco USA Inc.,<br>United States Post Office,<br>Ogilvy Public Relations,<br>The Procter & Gamble<br>Distributing LLC. |
| 150 East 58th<br>Street            | 100.0% | 94.6%  | 56,526,000 | 536,000   | - | - | - Castle Harlan, Tournesol<br>Realty LLC. (Peter<br>Marino),<br>Various showroom tenants                                                                            |
| Total<br>East Side                 |        | 93.4%  | 57,859,000 | 1,859,000 | - | - | 210,660                                                                                                                                                             |
| <b>West Side:</b>                  |        |        |            |           |   |   |                                                                                                                                                                     |
| 888 Seventh<br>Avenue              | 100.0% | 95.2%  | 77,857,000 | 857,000   | - | - | 318,554 Kaplan Management LLC,<br>New Line Realty, Soros<br>Fund,<br>TPG-Axon Capital,<br>Vornado Executive<br>Headquarters                                         |
| (ground<br>leased<br>through 2067) |        |        |            |           |   |   |                                                                                                                                                                     |
| 1740<br>Broadway                   | 100.0% | 99.3%  | 58,597,000 | 597,000   | - | - | - Davis & Gilbert, Limited<br>Brands,<br>Dept. of Taxation of the<br>State of N.Y.                                                                                  |
| 57th Street                        | 50.0%  | 91.9%  | 46,189,000 | 189,000   | - | - | 29,000 Various                                                                                                                                                      |
| 825 Seventh<br>Avenue              | 50.0%  | 100.0% | 45,165,000 | 165,000   | - | - | 20,773 Young & Rubicam                                                                                                                                              |
| Total<br>West Side                 |        | 96.6%  | 65,808,000 | 1,808,000 | - | - | 368,327                                                                                                                                                             |
| <b>Park<br/>Avenue:</b>            |        |        |            |           |   |   |                                                                                                                                                                     |
| 350 Park<br>Avenue                 | 100.0% | 95.3%  | 73,551,000 | 551,000   | - | - | 430,000 Tweedy Browne<br>Company, M&T Bank,<br>Veronis Suhler &<br>Associates, Ziff Brothers<br>Investment Inc.,<br>Kissinger Associates, Inc.                      |
| <b>Grand<br/>Central:</b>          |        |        |            |           |   |   |                                                                                                                                                                     |
| 90 Park<br>Avenue                  | 100.0% | 98.3%  | 57,992,000 | 902,000   | - | - | - Alston & Bird, Amster,<br>Rothstein & Ebenstein,<br>First Manhattan<br>Consulting,                                                                                |

|                        |       |       |             |           |   |           |                                                                                                                    |
|------------------------|-------|-------|-------------|-----------|---|-----------|--------------------------------------------------------------------------------------------------------------------|
|                        |       |       |             |           |   |           | Sanofi-Synthelabo Inc.,<br>STWB Inc.                                                                               |
| 330 Madison<br>Avenue  | 25.0% | 87.7% | 517,951,000 | 794,000   | - | - 150,000 | Acordia Northeast Inc.,<br>Artio Global Management,<br>BDO Seidman, Dean<br>Witter Reynolds Inc.,<br>HSBC Bank AFS |
| Total<br>Grand Central |       | 93.4% | 556,956,000 | 1,696,000 | - | - 150,000 |                                                                                                                    |

**Item 2. Properties - continued**

| Property                                    | Ownership | Occupancy | Annualized<br>Rent PSF<br>(1) | Total   | Square Feet                       |                       | Out of<br>Service | Encumbrances<br>(in thousands) | Major<br>Tenants                                                                                                                                                                                                                               |
|---------------------------------------------|-----------|-----------|-------------------------------|---------|-----------------------------------|-----------------------|-------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                             |           |           |                               |         | In Service<br>Owned by<br>Company | Owned<br>By<br>Tenant |                   |                                |                                                                                                                                                                                                                                                |
| <b>NEW YORK<br/>OFFICE<br/>(Continued):</b> |           |           |                               |         |                                   |                       |                   |                                |                                                                                                                                                                                                                                                |
| Madison/Fifth:<br>40 Fifth<br>avenue        | 100.0%    | 82.4%     | \$ 77.04                      | 322,000 | 322,000                           | -                     | -                 | -\$                            | - ROC Capital<br>Management<br>LP, Citibank<br>N.A.,<br>Fidelity<br>Investments,<br>Hennes &<br>Mauritz,<br>Janus Capital<br>Group Inc.,<br>GSL<br>Enterprises<br>Inc.,<br>Scout Capital<br>Management,<br>Legg Mason<br>Investment<br>Counsel |
| 45 Madison<br>avenue                        | 100.0%    | 92.7%     | 67.70                         | 313,000 | 313,000                           | -                     | -                 | -                              | - Beauvais<br>Carpets,<br>Coach, Levin<br>Capital<br>Strategies LP,<br>Prada,<br>Cosmetech<br>Mably Int'l<br>LLC.                                                                                                                              |
| 89 Fifth<br>avenue                          | 100.0%    | 98.9%     | 66.59                         | 88,000  | 88,000                            | -                     | -                 | -                              | - Elizabeth<br>Arden, Red<br>Door Salons,<br>Zara,<br>Yamaha Artis<br>Services Inc.                                                                                                                                                            |
| Total<br>Madison/Fifth                      |           | 88.9%     | 71.73                         | 723,000 | 723,000                           | -                     | -                 | -                              |                                                                                                                                                                                                                                                |

|                              |        |       |       |           |           |   |   |         |                                                                                                                                                                                                                                            |
|------------------------------|--------|-------|-------|-----------|-----------|---|---|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>United Nations:</b>       |        |       |       |           |           |   |   |         |                                                                                                                                                                                                                                            |
| 56 United Nations Plaza      | 100.0% | 98.1% | 54.44 | 357,000   | 357,000   | - | - | 44,978  | Fross Zelnick, Mission of Japan, The United Nations, Mission of Finland                                                                                                                                                                    |
| <b>Downtown South:</b>       |        |       |       |           |           |   |   |         |                                                                                                                                                                                                                                            |
| 70 Broadway                  | 100.0% | 99.8% | 52.32 | 1,059,000 | 1,059,000 | - | - | 353,000 | AOL, J. Crew, Kmart, Structure Tone, VIACOM International Inc., Nielsen Company (US) Inc.                                                                                                                                                  |
| <b>Rockefeller Center:</b>   |        |       |       |           |           |   |   |         |                                                                                                                                                                                                                                            |
| 290 Avenue of the Americas   | 70.0%  | 95.8% | 59.49 | 2,065,000 | 2,065,000 | - | - | 434,643 | AXA Equitable Life Insurance, Bank of New York Mellon, Broadpoint, Gleacher Securities Group, Bryan Cave LLP, Microsoft Corporation, Morrison & Foerster LLP, Warner Music Group, Cushman & Wakefield, Fitzpatrick, Cella, Harper & Scinto |
| <b>Downtown:</b>             |        |       |       |           |           |   |   |         |                                                                                                                                                                                                                                            |
| 0 Broad Street               | 100.0% | 92.1% | 49.38 | 472,000   | 472,000   | - | - | -       | New York Stock Exchange                                                                                                                                                                                                                    |
| (ground leased through 2081) |        |       |       |           |           |   |   |         |                                                                                                                                                                                                                                            |

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|                              |        |              |              |                   |                   |          |            |                                         |
|------------------------------|--------|--------------|--------------|-------------------|-------------------|----------|------------|-----------------------------------------|
| 0 Fulton Street              | 100.0% | 79.7%        | 40.00        | 244,000           | 244,000           | -        | -          | - PBA/Health and Welfare Fund           |
| 0-42 Thompson Street         | 100.0% | 87.7%        | 45.94        | 28,000            | 28,000            | -        | -          | - Crown Management                      |
| Total Downtown               |        | 87.9%        | 46.18        | 744,000           | 744,000           | -        | -          | -                                       |
| Total New York City          |        | 95.2%        | 55.17        | 17,433,000        | 17,433,000        | -        | -          | 2,636,659                               |
| New Jersey Paramus           |        | 91.5%        | 20.31        | 132,000           | 132,000           | -        | -          | - Vornado's Administrative Headquarters |
| Total New York City Office   |        | <b>95.2%</b> | <b>55.00</b> | <b>17,565,000</b> | <b>17,565,000</b> | <b>-</b> | <b>-\$</b> | <b>2,636,659</b>                        |
| Vornado's Ownership Interest |        | <b>95.5%</b> | <b>55.00</b> | <b>16,173,000</b> | <b>16,173,000</b> | <b>-</b> | <b>-\$</b> | <b>2,368,880</b>                        |

## Item 2. Properties - continued

| Property                                                                              | Ownership | Occupancy | Annualized<br>Rent PSF<br>(1) | Total     | Square Feet<br>In Service |                       | Out of<br>Service    | Encumbrances<br>(in thousands) | Major Tenants                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------|-----------|-----------|-------------------------------|-----------|---------------------------|-----------------------|----------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                       |           |           |                               |           | Owned<br>by<br>Company    | Owned<br>By<br>Tenant | Under<br>Development |                                |                                                                                                                                                                                                                                                                                                                                                              |
| WASHINGTON<br>C OFFICE:<br>Crystal City:<br>11-2451<br>Crystal Drive - 5<br>buildings | 100.0%    | 96.9%     | \$ 39.10                      | 2,288,000 | 2,288,000                 | -                     | -\$                  | 130,711                        | General Service<br>Administration,<br>Lockheed Martin<br>Conservation<br>International,<br>Boeing,<br>Smithsonian<br>Institution,<br>Natl. Consumer<br>Coop. Bank,<br>Archstone Trust<br>Council on<br>Foundations,<br>Vornado / Char<br>E. Smith<br>Divisional<br>Headquarters,<br>KBR, General<br>Dynamics, Scite<br>Corp.,<br>Food Marketing<br>Institute |
| Clark Street /<br>h Street - 5<br>buildings                                           | 100.0%    | 98.1%     | 39.18                         | 1,507,000 | 1,507,000                 | -                     | -                    | 149,014                        | General Service<br>Administration,<br>SAIC, Inc.,<br>Boeing, L-3<br>Communication<br>The Int'l Justice<br>Mission                                                                                                                                                                                                                                            |
| 50-1750<br>ystal Drive /<br>1-251 18th<br>eet<br>- 4 buildings                        | 100.0%    | 93.6%     | 37.98                         | 1,477,000 | 1,477,000                 | -                     | -                    | 173,861                        | General Service<br>Administration,<br><br>Alion Science &<br>Technologies,<br>Booz Allen,                                                                                                                                                                                                                                                                    |

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|                                                              |        |        |       |           |           |   |        |         |                                                                                            |
|--------------------------------------------------------------|--------|--------|-------|-----------|-----------|---|--------|---------|--------------------------------------------------------------------------------------------|
|                                                              |        |        |       |           |           |   |        |         | SAIC, Inc.,<br>Arete Associates<br>L-3<br>Communications<br>Battelle Memorial<br>Institute |
| 00, 1851 and<br>01 South Bell<br>Street<br>- 3 buildings     | 100.0% | 96.9%  | 34.46 | 868,000   | 868,000   | - | -      | 19,339  | General Services<br>Administration,<br><br>Lockheed Martin                                 |
| 00 / 2200<br>Crystal Drive - 2<br>buildings                  | 100.0% | 100.0% | 31.54 | 529,000   | 529,000   | - | -      | -       | - General Services<br>Administration,<br><br>Public<br>Broadcasting<br>Service             |
| 3 23rd Street /<br>21 South Clark<br>Street<br>- 2 buildings | 100.0% | 87.7%  | 35.09 | 306,000   | 218,000   | - | 88,000 | -       | - General Services<br>Administration                                                       |
| 01 Jefferson<br>Davis Highway                                | 100.0% | 80.2%  | 33.99 | 162,000   | 162,000   | - | -      |         | Arena Stage,<br>Institute for<br>Psychology,<br>Qinetiq North<br>America                   |
| Crystal City<br>shops at 2100                                | 100.0% | 63.0%  | 41.06 | 81,000    | 81,000    | - | -      | -       | - Various                                                                                  |
| Crystal Drive<br>Retail                                      | 100.0% | 88.5%  | 43.23 | 57,000    | 57,000    | - | -      | -       | - Various                                                                                  |
| Crystal<br>City                                              | 100.0% | 95.6%  | 37.57 | 7,275,000 | 7,187,000 | - | 88,000 | 472,925 |                                                                                            |
| <b>Central<br/>Business<br/>District:</b>                    |        |        |       |           |           |   |        |         |                                                                                            |
| Warner Building<br>299<br>Pennsylvania<br>Avenue, NW         | 100.0% | 99.9%  | 64.90 | 604,000   | 604,000   | - | -      | 292,700 | Howrey LLP,<br>Baker Botts, LL<br><br>General Electric                                     |
| Universal<br>Buildings                                       | 100.0% | 98.9%  | 44.03 | 613,000   | 613,000   | - | -      | 106,629 | Academy for<br>Educational<br>Development                                                  |

|                                                        |        |       |       |         |         |   |   |         |                                                                                                                        |
|--------------------------------------------------------|--------|-------|-------|---------|---------|---|---|---------|------------------------------------------------------------------------------------------------------------------------|
| 1825-1875<br>Connecticut<br>venue, NW<br>- 2 buildings |        |       |       |         |         |   |   |         |                                                                                                                        |
| 9 3rd Street,<br>V                                     | 100.0% | 98.5% | 40.63 | 388,000 | 388,000 | - | - | -       | General Service<br>Administration                                                                                      |
| 50<br>nnsylvania<br>venue, NW                          | 100.0% | 95.7% | 43.27 | 256,000 | 256,000 | - | - | 45,877  | General Service<br>Administration,<br><br>PA Consulting<br>Group Holdings                                              |
| wen Building<br>75 15th Street,<br>V                   | 100.0% | 98.4% | 64.38 | 231,000 | 231,000 | - | - | 115,022 | Paul, Hastings,<br>Janofsky &<br>Walker LLP,<br>Millennium<br>Challenge<br>Corporation                                 |
| 50 17th Street,<br>V                                   | 100.0% | 85.0% | 44.45 | 232,000 | 232,000 | - | - | 29,047  | American<br>Enterprise<br>Institute                                                                                    |
| 01 17th Street,<br>V                                   | 100.0% | 95.8% | 43.57 | 212,000 | 212,000 | - | - | 24,054  | American<br>Federation of<br>States                                                                                    |
| 30 M Street,<br>V                                      | 100.0% | 94.2% | 41.77 | 202,000 | 202,000 | - | - | 15,018  | General Service<br>Administration                                                                                      |
| 40 Connecticut<br>venue, NW                            | 100.0% | 92.6% | 43.23 | 186,000 | 186,000 | - | - | 17,791  | Elizabeth Glase<br>Pediatric AIDS<br>Foundation,<br>Defense Group<br>Inc., National<br>Legal Aid and<br>Defender Assoc |

**Item 2. Properties - continued**

| Property                                        | Ownership | Occupancy | Annualized<br>Rent PSF<br>(1) | Total     | Square Feet               |             | Out of<br>Service<br>Under | Encumbrances<br>(in thousands) | Major Tenants                                                                                                                          |
|-------------------------------------------------|-----------|-----------|-------------------------------|-----------|---------------------------|-------------|----------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
|                                                 |           |           |                               |           | In Service<br>Owned<br>by | Owned<br>By |                            |                                |                                                                                                                                        |
| <b>WASHINGTON<br/>C OFFICE<br/>(continued):</b> |           |           |                               |           |                           |             |                            |                                |                                                                                                                                        |
| 27 25th Street,<br>V                            | 100.0%    | 77.1%     | \$ 52.24                      | 133,000   | 133,000                   | -           | -\$                        |                                | - Epstein, Becker<br>Green, P.C.,<br>General Service<br>Administration                                                                 |
| 01 L Street,<br>V                               | 100.0%    | 87.3%     | 55.90                         | 379,000   | 379,000                   | -           | -                          | 150,000                        | Greenberg<br>Traurig, LLP, U<br>Green Building<br>Council,<br>American<br>Insurance<br>Association,<br>RTKL Associat<br>Cassidy & Turl |
| 26 M Street,<br>V                               | 100.0%    | 83.6%     | 37.09                         | 89,000    | 89,000                    | -           | -                          |                                | - Aptima, Inc.,<br>Nelnet<br>Corporation                                                                                               |
| <b>Tempfer<br/>Interests:</b>                   |           |           |                               |           |                           |             |                            |                                |                                                                                                                                        |
| 1 M Street,<br>V                                | 2.5%      | -         | -                             | 2,100,000 | -                         | -           | 2,100,000                  | 183,742                        | District of<br>Columbia (lease<br>not commenced)                                                                                       |
| 01 K Street,<br>V                               | 5.0%      | 97.2%     | 57.43                         | 378,000   | 378,000                   | -           | -                          | 101,750                        | Sidley Austin<br>LLP, UBS                                                                                                              |
| 99 New York<br>venue, NW                        | 2.5%      | 100.0%    | 85.72                         | 124,000   | 124,000                   | -           | -                          | 39,797                         | Bloomberg                                                                                                                              |
| atal Central<br>usiness District                |           | 94.6%     | 50.04                         | 6,127,000 | 4,027,000                 | -           | 2,100,000                  | 1,121,427                      |                                                                                                                                        |
| <b>95 Corridor:</b>                             |           |           |                               |           |                           |             |                            |                                |                                                                                                                                        |
| ylene Place - 7<br>ldings                       | 100.0%    | 93.8%     | 32.05                         | 2,109,000 | 2,109,000                 | -           | -                          | 543,300                        | General Service<br>Administration,<br>SAIC, Inc.,                                                                                      |

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|                                                 |        |        |       |           |           |   |        |         |                                                                              |
|-------------------------------------------------|--------|--------|-------|-----------|-----------|---|--------|---------|------------------------------------------------------------------------------|
|                                                 |        |        |       |           |           |   |        |         | Northrop<br>Grumman, Bo<br>Allen,<br>Jacer Corpora<br>Intellidyne, Inc.      |
| e Skyline<br>wer                                | 100.0% | 100.0% | 32.50 | 518,000   | 518,000   | - | -      | 134,700 | General Service<br>Administration                                            |
| tal I-395<br>rridor                             | 100.0% | 95.0%  | 32.15 | 2,627,000 | 2,627,000 | - | -      | 678,000 |                                                                              |
| sslyn /<br>llston:<br>00 / 2300<br>arendon Blvd | 100.0% | 95.4%  | 38.47 | 628,000   | 628,000   | - | -      | 65,133  | Arlington Coun<br>General Service<br>Administration,<br>AMC Theaters         |
| Courthouse<br>za) - 2<br>ldings                 |        |        |       |           |           |   |        |         |                                                                              |
| sslyn Plaza -<br>fice - 4<br>ldings             | 46.0%  | 84.8%  | 32.86 | 724,000   | 724,000   | - | -      | 56,680  | General Service<br>Administration                                            |
| tal Rosslyn /<br>llston                         |        | 91.7%  | 38.47 | 1,352,000 | 1,352,000 | - | -      | 121,813 |                                                                              |
| sons Corner:<br>rfax Square -<br>uildings       | 20.0%  | 85.1%  | 36.30 | 521,000   | 521,000   | - | -      | 72,500  | EDS Informatio<br>Services, Dean<br>Company,<br>Womble Carlyl                |
| tal Tysons<br>rner                              |        | 85.1%  | 36.30 | 521,000   | 521,000   | - | -      | 72,500  |                                                                              |
| ston:<br>ston Executive<br>buildings            | 100.0% | 90.8%  | 33.98 | 490,000   | 490,000   | - | -      | 93,000  | SAIC, Inc.,<br>Quadramed Cor                                                 |
| mmerce<br>ecutive - 3<br>ldings                 | 100.0% | 89.8%  | 28.53 | 417,000   | 394,000   | - | 23,000 |         | L-3<br>Communication<br>SAIC, Inc.,<br>Concert<br>Management<br>Services, BT |

|                  |       |       |         |         |   |        |        |
|------------------|-------|-------|---------|---------|---|--------|--------|
| tal Reston<br>24 | 90.4% | 31.61 | 907,000 | 884,000 | - | 23,000 | 93,000 |
|------------------|-------|-------|---------|---------|---|--------|--------|

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**Item 2. Properties - continued**

| Property                                            | Ownership | Occupancy | Annualized<br>Rent PSF<br>(1) | Total      | Square Feet<br>In Service |                       | Out of<br>Service    | Encumbrances<br>(in thousands) | Major<br>Tenant                    |
|-----------------------------------------------------|-----------|-----------|-------------------------------|------------|---------------------------|-----------------------|----------------------|--------------------------------|------------------------------------|
|                                                     |           |           |                               |            | Owned by<br>Company       | Owned<br>By<br>Tenant | Under<br>Development |                                |                                    |
| WASHINGTON, D.C. OFFICE                             |           |           |                               |            |                           |                       |                      |                                |                                    |
| (continued):                                        |           |           |                               |            |                           |                       |                      |                                |                                    |
| Rockville/Bethesda:                                 |           |           |                               |            |                           |                       |                      |                                |                                    |
| Democracy Plaza<br>e                                | 100.0%    | 94.7%     | \$ 41.53                      | 214,000    | 214,000                   | -                     | -                    | -\$                            | - National<br>Institutes<br>Health |
| Pentagon City:                                      |           |           |                               |            |                           |                       |                      |                                |                                    |
| Fashion Centre Mall                                 | 7.5%      | 98.9%     | 39.02                         | 819,000    | 819,000                   | -                     | -                    | 149,341                        | Macy's,<br>Nordstrom               |
| Washington Tower                                    | 7.5%      | 100.0%    | 43.20                         | 170,000    | 170,000                   | -                     | -                    | 40,000                         | The Rand<br>Corporati              |
| Capital Pentagon City                               |           | 99.1%     | 39.75                         | 989,000    | 989,000                   | -                     | -                    | 189,341                        |                                    |
| Capital Washington,<br>D.C. office<br>properties    |           | 94.8%     | \$ 39.61                      | 20,012,000 | 17,801,000                | -                     | 2,211,000            | \$ 2,749,006                   |                                    |
| Vornado's<br>Ownership Interest                     |           | 94.9%     | \$ 39.01                      | 15,764,000 | 15,600,000                | -                     | 164,000              | \$ 2,171,128                   |                                    |
| Other:                                              |           |           |                               |            |                           |                       |                      |                                |                                    |
| For rent residential:<br>Overhouse (1,680<br>units) | 100.0%    | 96.0%     | \$ -                          | 1,802,000  | 1,802,000                 | -                     | -                    | -\$ 259,546                    |                                    |
| Masslyn Plaza (196<br>units)                        | 43.7%     | 97.2%     | -                             | 253,000    | 253,000                   | -                     | -                    | -                              |                                    |
| West End 25 (283<br>units)                          | 100.0%    | 27.1%     | -                             | 272,000    | 272,000                   | -                     | -                    | 85,735                         |                                    |
| 100 20th Street (265<br>units)                      | 100.0%    | 55.4%     | -                             | 271,000    | 271,000                   | -                     | -                    | 75,629                         |                                    |
| Crystal City Hotel                                  | 100.0%    | 100.0%    | -                             | 266,000    | 266,000                   | -                     | -                    | -                              |                                    |
| Warehouses                                          | 100.0%    | 100.0%    | -                             | 228,000    | 228,000                   | -                     | -                    | -                              |                                    |

|                                 |        |              |           |              |                   |                     |          |                                        |
|---------------------------------|--------|--------------|-----------|--------------|-------------------|---------------------|----------|----------------------------------------|
| er - 3 buildings                | 100.0% | 100.0%       | -         | 11,000       | 11,000            | -                   | -        | -                                      |
| tal Other                       |        |              |           | 3,103,000    | 3,103,000         | -                   | -        | 420,910                                |
| tal Washington,<br>C Properties |        | <b>93.7%</b> | <b>\$</b> | <b>39.61</b> | <b>23,115,000</b> | <b>(20,904,000)</b> | <b>-</b> | <b>2,211,000\$</b><br><b>3,169,916</b> |
| ornado's<br>wnership Interest   |        | <b>93.6%</b> | <b>\$</b> | <b>39.01</b> | <b>18,724,000</b> | <b>18,560,000</b>   | <b>-</b> | <b>164,000\$</b><br><b>2,592,038</b>   |

## Item 2. Properties - continued

| Property                                               | Ownership | Occupancy | Annualized<br>Rent PSF<br>(1) | Total        | Square Feet<br>In Service |                       | Out of<br>Service | Encumbrances<br>(in thousands) | Major<br>Tenants                                                                                                                                |
|--------------------------------------------------------|-----------|-----------|-------------------------------|--------------|---------------------------|-----------------------|-------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                        |           |           |                               |              | Owned<br>by<br>Company    | Owned<br>By<br>Tenant |                   |                                |                                                                                                                                                 |
| <b>REGIONAL<br/>CENTERS:</b>                           |           |           |                               |              |                           |                       |                   |                                |                                                                                                                                                 |
| Green Acres<br>Mall, Valley<br>Stream, NY              | 100.0%    | 87.6%     | \$ 44.09(4)                   | 1,871,000    | 1,753,000                 | 79,000                | 39,000            | \$ 335,000                     | Macy's,<br>Sears,<br>Wal-Mart,<br>JCPenney,<br>Best Buy,<br>BJ's<br>Wholesale<br>Club, Koh's<br>(lease not<br>commence<br>Raymour &<br>Flanigan |
| 100%<br>ground and<br>building<br>leased               |           |           |                               |              |                           |                       |                   |                                |                                                                                                                                                 |
| through<br>(89)                                        |           |           |                               |              |                           |                       |                   |                                |                                                                                                                                                 |
| Winnmouth<br>Mall,<br>Monticello,<br>Monticello, NY    | 50.0%     | 91.7%     | 37.88(4)                      | 1,467,000(5) | 741,000                   | 719,000(5)            | 7,000             | 165,000                        | Macy's <sup>(5)</sup> ,<br>JCPenney<br>Lord &<br>Taylor,<br>Loews<br>Theatre,<br>Barnes &<br>Noble                                              |
| Springfield<br>Mall,<br>Springfield,<br>MA             | 97.5%     | 100.0%    | 26.36(4)                      | 1,408,000(5) | 551,000                   | 390,000(5)            | 467,000           | 242,583                        | Macy's,<br>JCPenney<br>Target <sup>(5)</sup>                                                                                                    |
| (66.8% of<br>total square<br>footage is in<br>service) |           |           |                               |              |                           |                       |                   |                                |                                                                                                                                                 |
| Windsor Town<br>Center,<br>Paramus, NJ                 | 100.0%    | 100.0%    | 42.04(4)                      | 1,243,000    | 791,000                   | 13,000                | 439,000           | 261,903                        | Target,<br>Whole Foods<br>Market,<br>Century 21<br>Nordstrom<br>Rack,<br>Saks Fifth<br>Avenue On                                                |
| (64.7% of<br>total square                              |           |           |                               |              |                           |                       |                   |                                |                                                                                                                                                 |

|                                                       |        |        |          |              |           |            |           |           |                                                                                                |
|-------------------------------------------------------|--------|--------|----------|--------------|-----------|------------|-----------|-----------|------------------------------------------------------------------------------------------------|
| is in<br>(vice)                                       |        |        |          |              |           |            |           |           | 5th, Filene<br>Basement,<br>Marshalls,<br>Nike Factory<br>Store, Low<br>(lease not<br>commence |
| adway<br>ll,<br>cksville,<br>r                        | 100.0% | 86.0%  | 34.33(4) | 1,140,000(5) | 764,000   | 376,000(5) | -         | 92,601    | Macy's, Inc.,<br>Target (5),<br>National<br>Amusement                                          |
| ontehiedra,<br>erto Rico                              | 100.0% | 91.2%  | 43.34(4) | 540,000      | 540,000   | -          | -         | 120,000   | The Home<br>Depot,<br>Kmart,<br>Marshalls,<br>Caribbean<br>Theatres,<br>Tiendas<br>Capri       |
| s<br>alinas,<br>erto Rico                             | 100.0% | 89.0%  | 52.51(4) | 495,000(5)   | 356,000   | 139,000(5) | -         | 59,305    | Kmart, Sea<br>(5)                                                                              |
| tal<br>gional<br>ills                                 |        | 91.1%  | \$ 39.33 | 8,164,000    | 5,496,000 | 1,716,000  | 952,000\$ | 1,276,392 |                                                                                                |
| rnado's<br>wnership<br>erest                          |        | 91.1%  | \$ 39.56 | 6,376,000    | 5,112,000 | 327,000    | 937,000\$ | 1,187,827 |                                                                                                |
| <b>RIP<br/>SHOPPING<br/>CENTERS:</b>                  |        |        |          |              |           |            |           |           |                                                                                                |
| <b>New Jersey:</b><br>rth Bergen<br>nnelle<br>(venue) | 100.0% | 100.0% | \$ 22.36 | 410,000      | 147,000   | 206,000    | 57,000\$  |           | - Wal-Mart,<br>BJ's<br>Wholesale<br>Club                                                       |
| st Hanover<br>nd II                                   | 100.0% | 95.9%  | 19.73    | 369,000      | 363,000   | 6,000      | -         |           | - The Home<br>Depot, Dick<br>Sporting<br>Goods,<br>Marshalls<br>Loehmann                       |

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|                                     |        |        |       |         |         |         |         |                                                                |
|-------------------------------------|--------|--------|-------|---------|---------|---------|---------|----------------------------------------------------------------|
| Springfield                         | 100.0% | -      | -     | 325,000 | -       | -       | 325,000 | - Wal-Mart, The Home Depot (unc developed by tenants)          |
| Sioux Falls                         | 100.0% | 85.6%  | 17.61 | 317,000 | 223,000 | 94,000  | -       | - The Home Depot, Bed Bath & Beyond (6) Marshalls              |
| Blacktown                           | 100.0% | 99.1%  | 17.11 | 279,000 | 276,000 | 3,000   | -       | - Kohl's, ShopRite, Marshalls                                  |
| Union (Route 100 and Morris Avenue) | 100.0% | 100.0% | 25.87 | 276,000 | 113,000 | 163,000 | -       | - Lowe's, Target "R" Us                                        |
| Rockensack                          | 100.0% | 96.4%  | 21.29 | 275,000 | 209,000 | 66,000  | -       | - The Home Depot (6), Pathmark                                 |
| Cherry Hill                         | 100.0% | 98.1%  | 15.94 | 263,000 | 51,000  | 212,000 | -       | - Wal-Mart, Toys "R" Us                                        |
| Seaside City                        | 100.0% | 100.0% | 20.50 | 236,000 | 66,000  | 170,000 | -       | - Lowe's                                                       |
| Union (2445 Springfield Avenue)     | 100.0% | 100.0% | 17.85 | 232,000 | 232,000 | -       | -       | - The Home Depot                                               |
| West Brunswick I                    | 100.0% | 100.0% | 15.95 | 232,000 | 222,000 | 10,000  | -       | - Kohl's, Dick's Sporting Goods, P.O. Richard & Son, T.J. Maxx |
| 325 - 333 Route 18 (South)          |        |        |       |         |         |         |         |                                                                |
| Beddletown                          | 100.0% | 84.2%  | 14.66 | 231,000 | 179,000 | 52,000  | -       | - Kohl's, Stop & Shop                                          |
| Woodbridge                          | 100.0% | 100.0% | 17.62 | 227,000 | 87,000  | 140,000 | -       | - Wal-Mart, Syms                                               |
| North Plainfield                    | 100.0% | 79.7%  | 7.79  | 219,000 | 219,000 | -       | -       | - Kmart, Pathmark                                              |

ground  
sed  
ough  
(50)

|        |        |       |       |         |         |       |   |                                                    |
|--------|--------|-------|-------|---------|---------|-------|---|----------------------------------------------------|
| arlton | 100.0% | 89.1% | 11.40 | 214,000 | 210,000 | 4,000 | - | - Kohl's <sup>(6)</sup> ,<br>ShopRite,<br>PetSmart |
|--------|--------|-------|-------|---------|---------|-------|---|----------------------------------------------------|

**Item 2. Properties - continued**

| Property<br>DETAIL<br>(Continued):                    | %<br>Ownership | %<br>Occupancy | Annualized<br>Rent PSF<br>(1) | Total   | Square Feet<br>In Service |                       | Out of<br>Service<br><br>Under<br>Development | Encumbrances<br><br>(in thousands) | Major<br>Tenants                                         |
|-------------------------------------------------------|----------------|----------------|-------------------------------|---------|---------------------------|-----------------------|-----------------------------------------------|------------------------------------|----------------------------------------------------------|
|                                                       |                |                |                               |         | Owned<br>by<br>Company    | Owned<br>By<br>Tenant |                                               |                                    |                                                          |
| Analapan                                              | 100.0%         | 97.8%          | \$ 15.30                      | 208,000 | 206,000                   | 2,000                 |                                               | -\$                                | - Best Buy,<br>Bed Bath &<br>Beyond,<br>Babies "R"<br>Us |
| East<br>Rutherford                                    | 100.0%         | 96.7%          | 31.27                         | 197,000 | 42,000                    | 155,000               |                                               | -                                  | - Lowe's                                                 |
| East<br>Brunswick II<br>(39-341<br>Route 18<br>South) | 100.0%         | 83.1%          | -                             | 196,000 | 33,000                    | 163,000               |                                               | -                                  | - Lowe's                                                 |
| Ordentown                                             | 100.0%         | 90.9%          | 7.11                          | 179,000 | 179,000                   | -                     |                                               | -                                  | - ShopRite                                               |
| Morris Plains                                         | 100.0%         | 98.2%          | 19.13                         | 177,000 | 176,000                   | 1,000                 |                                               | -                                  | - Kohl's,<br>ShopRite                                    |
| Over                                                  | 100.0%         | 93.9%          | 11.21                         | 173,000 | 167,000                   | 6,000                 |                                               | -                                  | - ShopRite,<br>T.J. Maxx                                 |
| Belran                                                | 100.0%         | 76.6%          | 4.25                          | 171,000 | 168,000                   | 3,000                 |                                               | -                                  | - Sam's Club                                             |
| odi (Route<br>7 North)                                | 100.0%         | 100.0%         | 10.29                         | 171,000 | 171,000                   | -                     |                                               | -                                  | - National<br>Wholesale<br>Liquidator                    |
| Watchung                                              | 100.0%         | 97.3%          | 23.19                         | 170,000 | 54,000                    | 116,000               |                                               | -                                  | - BJ's<br>Wholesale<br>Club                              |
| Lawnside                                              | 100.0%         | 100.0%         | 12.82                         | 145,000 | 142,000                   | 3,000                 |                                               | -                                  | - The Home<br>Depot,<br>PetSmart                         |
| azlet                                                 | 100.0%         | 100.0%         | 2.44                          | 123,000 | 123,000                   | -                     |                                               | -                                  | - Stop &<br>Shop                                         |

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|                                                   |        |        |       |           |           |           |         |                                                                                             |
|---------------------------------------------------|--------|--------|-------|-----------|-----------|-----------|---------|---------------------------------------------------------------------------------------------|
| earny                                             | 100.0% | 100.0% | 14.24 | 104,000   | 32,000    | 72,000    | -       | - Pathmark, Marshalls                                                                       |
| urnersville                                       | 100.0% | 100.0% | 6.25  | 96,000    | 89,000    | 7,000     | -       | - Haynes Furniture Co.                                                                      |
| odi<br>(Washington Street)                        | 100.0% | 100.0% | 23.09 | 85,000    | 85,000    | -         | -       | 10,320 A&P                                                                                  |
| arlstadt<br>(ground leased through 2050)          | 100.0% | 95.5%  | 22.11 | 78,000    | 78,000    | -         | -       | 7,570 Stop & Shop                                                                           |
| orth Bergen<br>(Kennedy Boulevard)                | 100.0% | 100.0% | 29.78 | 62,000    | 6,000     | 56,000    | -       | - Waldbaum's                                                                                |
| outh<br>Mainfield<br>(ground leased through 2039) | 100.0% | 100.0% | 21.14 | 56,000    | 56,000    | -         | -       | - Staples                                                                                   |
| nglewood                                          | 100.0% | 94.8%  | 30.39 | 41,000    | 41,000    | -         | -       | 12,358 New York Sports Club                                                                 |
| atontown                                          | 100.0% | 100.0% | 26.14 | 30,000    | 30,000    | -         | -       | - Petco                                                                                     |
| ontclair                                          | 100.0% | 100.0% | 20.48 | 18,000    | 18,000    | -         | -       | - Whole Foods Market                                                                        |
| Total New Jersey                                  |        |        |       | 6,585,000 | 4,493,000 | 1,710,000 | 382,000 | 30,248                                                                                      |
| <b>Pennsylvania:</b>                              |        |        |       |           |           |           |         |                                                                                             |
| ilentown                                          | 100.0% | 99.5%  | 14.78 | 626,000   | 269,000   | 357,000   | -       | - Wal-Mart, Sam's Club, ShopRite, Burlington Coat Factory, T.J. Maxx, Dick's Sporting Goods |
| Philadelphia                                      | 100.0% | 78.1%  | 13.20 | 430,000   | 430,000   | -         | -       | -                                                                                           |

|              |        |        |      |        |        |       |   |                        |
|--------------|--------|--------|------|--------|--------|-------|---|------------------------|
| Turnersville | 100.0% | 100.0% | 6.25 | 96,000 | 89,000 | 7,000 | - | - Haynes Furniture Co. |
|--------------|--------|--------|------|--------|--------|-------|---|------------------------|

|                            |        |        |       |        |        |   |   |            |
|----------------------------|--------|--------|-------|--------|--------|---|---|------------|
| odi<br>Washington<br>reet) | 100.0% | 100.0% | 23.09 | 85,000 | 85,000 | - | - | 10,320 A&P |
|----------------------------|--------|--------|-------|--------|--------|---|---|------------|

|                                    |        |       |       |        |        |   |   |                   |
|------------------------------------|--------|-------|-------|--------|--------|---|---|-------------------|
| Arbeitsstadt                       | 100.0% | 95.5% | 22.11 | 78,000 | 78,000 | - | - | 7,570 Stop & Shop |
| (ground<br>leased through<br>2050) |        |       |       |        |        |   |   |                   |

|                                        |        |        |       |        |       |        |   |            |
|----------------------------------------|--------|--------|-------|--------|-------|--------|---|------------|
| North Bergen<br>(Kennedy<br>Boulevard) | 100.0% | 100.0% | 29.78 | 62,000 | 6,000 | 56,000 | - | - Waldbaum |
|----------------------------------------|--------|--------|-------|--------|-------|--------|---|------------|

|                                                          |        |        |       |        |        |   |   |           |
|----------------------------------------------------------|--------|--------|-------|--------|--------|---|---|-----------|
| South<br>Mainfield<br>(ground<br>leased through<br>2039) | 100.0% | 100.0% | 21.14 | 56,000 | 56,000 | - | - | - Staples |
|----------------------------------------------------------|--------|--------|-------|--------|--------|---|---|-----------|

|           |        |       |       |        |        |   |   |                                |
|-----------|--------|-------|-------|--------|--------|---|---|--------------------------------|
| Anglewood | 100.0% | 94.8% | 30.39 | 41,000 | 41,000 | - | - | 12,358 New York<br>Sports Club |
|-----------|--------|-------|-------|--------|--------|---|---|--------------------------------|

|            |        |        |       |        |        |   |   |         |
|------------|--------|--------|-------|--------|--------|---|---|---------|
| Montgomery | 100.0% | 100.0% | 26.14 | 30,000 | 30,000 | - | - | - Petco |
|------------|--------|--------|-------|--------|--------|---|---|---------|

|           |        |        |       |        |        |   |   |                      |
|-----------|--------|--------|-------|--------|--------|---|---|----------------------|
| Montclair | 100.0% | 100.0% | 20.48 | 18,000 | 18,000 | - | - | - Whole Foods Market |
|-----------|--------|--------|-------|--------|--------|---|---|----------------------|

|                  |           |           |           |         |        |
|------------------|-----------|-----------|-----------|---------|--------|
| Total New Jersey | 6,585,000 | 4,493,000 | 1,710,000 | 382,000 | 30,248 |
|------------------|-----------|-----------|-----------|---------|--------|

| Pennsylvania: |                |                 |                |         |         |         |         |        |       |
|---------------|----------------|-----------------|----------------|---------|---------|---------|---------|--------|-------|
| City          | Share of Sales | Share of Volume | Share of Units | Revenue | Volume  | Units   | Revenue | Volume | Units |
| Allentown     | 100.0%         | 99.5%           | 14.78          | 626,000 | 269,000 | 357,000 | -       | -      | -     |

|              |        |       |       |         |         |   |   |   |
|--------------|--------|-------|-------|---------|---------|---|---|---|
| Philadelphia | 100.0% | 78.1% | 13.20 | 430,000 | 430,000 | - | - | - |
|--------------|--------|-------|-------|---------|---------|---|---|---|

|              |        |        |       |            |         |            |   |        |                                                                        |
|--------------|--------|--------|-------|------------|---------|------------|---|--------|------------------------------------------------------------------------|
|              |        |        |       |            |         |            |   |        | Kmart,<br>Health<br>Partners                                           |
| Wilkes-Barre | 100.0% | 83.3%  | 13.08 | 329,000(5) | 204,000 | 125,000(5) | - | 20,957 | Target <sup>(5)</sup> ,<br>Babies "R"<br>Us,<br>Ross Dress<br>For Less |
| Yonkers      | 100.0% | 100.0% | 4.43  | 228,000    | 58,000  | 170,000    | - | -      | Lowe's,<br>Weis<br>Markets                                             |
| Jersey City  | 100.0% | 100.0% | 10.45 | 185,000    | 177,000 | 8,000      | - | -      | Kohl's <sup>(6)</sup> ,<br>Ross Dress<br>for Less,<br>Staples          |
| Brooklyn     | 100.0% | 86.5%  | 10.40 | 169,000    | 147,000 | 22,000     | - | -      | Giant Food<br><sup>(6)</sup> , A.C.<br>Moore,<br>PetSmart              |
| Jersey City  | 100.0% | 87.1%  | 5.64  | 167,000    | 164,000 | 3,000      | - | -      | Giant Food<br>Superpetz                                                |

**Item 2. Properties - continued**

|                                                    |          |          |                                        |              | Square Feet<br>In Service |               | Out of<br>Service    | Encumbrances          | Major<br>Tenants                                                                                      |
|----------------------------------------------------|----------|----------|----------------------------------------|--------------|---------------------------|---------------|----------------------|-----------------------|-------------------------------------------------------------------------------------------------------|
|                                                    |          |          |                                        |              | Owned<br>by               | Owned<br>By   | Under<br>Development |                       |                                                                                                       |
| <b>Property</b>                                    | <b>%</b> | <b>%</b> | <b>Annualized<br/>Rent PSF<br/>(1)</b> | <b>Total</b> | <b>Company</b>            | <b>Tenant</b> |                      | <b>(in thousands)</b> |                                                                                                       |
| <b>RETAIL<br/>(Continued):</b>                     |          |          |                                        |              |                           |               |                      |                       |                                                                                                       |
| Upper<br>Moreland                                  | 100.0%   | 100.0%   | \$ 9.75                                | 122,000      | 122,000                   | -             |                      | -\$                   | - Sam's Club                                                                                          |
| York                                               | 100.0%   | 100.0%   | 8.16                                   | 110,000      | 110,000                   | -             |                      | -                     | - Ashley<br>Furniture                                                                                 |
| Levittown                                          | 100.0%   | 100.0%   | 6.25                                   | 105,000      | 105,000                   | -             |                      | -                     | - Haynes<br>Furniture <sup>(6)</sup>                                                                  |
| Glenolden                                          | 100.0%   | 100.0%   | 23.13                                  | 102,000      | 10,000                    | 92,000        |                      | -                     | - Wal-Mart                                                                                            |
| Wilkes-Barre                                       | 100.0%   | 50.1%    | 4.65                                   | 81,000       | 81,000                    | -             |                      | -                     | - Ollie's<br>Bargain<br>Outlet                                                                        |
| (ground and<br>building<br>leased<br>through 2040) |          |          |                                        |              |                           |               |                      |                       |                                                                                                       |
| Wyomissing                                         | 100.0%   | 89.0%    | 14.17                                  | 79,000       | 79,000                    | -             |                      | -                     | - LA Fitness,<br>PetSmart                                                                             |
| (ground and<br>building<br>leased<br>through 2065) |          |          |                                        |              |                           |               |                      |                       |                                                                                                       |
| Total<br>Pennsylvania                              |          |          |                                        | 2,733,000    | 1,956,000                 | 777,000       |                      | -                     | 20,957                                                                                                |
| <b>New York:</b>                                   |          |          |                                        |              |                           |               |                      |                       |                                                                                                       |
| Poughkeepsie,<br>NY                                | 100.0%   | 100.0%   | 7.55                                   | 503,000      | 391,000                   | 3,000         | 109,000              |                       | - Kmart,<br>Burlington<br>Coat<br>Factory,<br>ShopRite,<br>Hobby<br>Lobby,<br>Christmas<br>Tree Shops |
| (78.3% of<br>total square<br>feet in<br>service)   |          |          |                                        |              |                           |               |                      |                       |                                                                                                       |

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|                                                                     |        |        |       |         |         |         |   |        | Bobs<br>Discount<br>Furniture             |
|---------------------------------------------------------------------|--------|--------|-------|---------|---------|---------|---|--------|-------------------------------------------|
| Bronx<br>(Bruckner<br>Boulevard)                                    | 100.0% | 98.5%  | 20.64 | 500,000 | 386,000 | 114,000 | - | -      | - Kmart, Toys<br>"R" Us, Key<br>Food      |
| Buffalo<br>(Amherst)<br>(ground<br>leased<br>through<br>2017)       | 100.0% | 45.0%  | 5.59  | 296,000 | 227,000 | 69,000  | - | -      | - T.J. Maxx,<br>Toys "R" Us               |
| Huntington                                                          | 100.0% | 96.4%  | 13.01 | 208,000 | 208,000 | -       | - | 15,595 | Kmart                                     |
| Rochester                                                           | 100.0% | 100.0% | -     | 205,000 | -       | 205,000 | - | -      | - Wal-Mart                                |
| Mt. Kisco                                                           | 100.0% | 98.4%  | 21.00 | 189,000 | 72,000  | 117,000 | - | 29,703 | Target,<br>A&P                            |
| Freeport (437<br>East Sunrise<br>Highway)                           | 100.0% | 100.0% | 18.00 | 167,000 | 167,000 | -       | - | -      | - The Home<br>Depot,<br>Cablevision       |
| Staten Island                                                       | 100.0% | 93.1%  | 17.42 | 165,000 | 165,000 | -       | - | 17,400 | Waldbaum's                                |
| Rochester<br>(Henrietta)<br><br>(ground<br>leased<br>through 2056)  | 100.0% | 89.2%  | 3.31  | 158,000 | 158,000 | -       | - | -      | - Kohl's,<br>Ollie's<br>Bargain<br>Outlet |
| Albany<br>(Menands)                                                 | 100.0% | 74.0%  | 9.00  | 140,000 | 140,000 | -       | - | -      | - Bank of<br>America                      |
| New Hyde<br>Park (ground<br>and building<br>leased<br>through 2029) | 100.0% | 100.0% | 18.73 | 101,000 | 101,000 | -       | - | -      | - Stop &<br>Shop                          |
| Inwood                                                              | 100.0% | 95.1%  | 20.52 | 100,000 | 100,000 | -       | - | -      | - Stop &<br>Shop                          |
| North<br>Syracuse<br>(ground and<br>building)                       | 100.0% | 100.0% | -     | 98,000  | -       | 98,000  | - | -      | - Wal-Mart                                |

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|                                          |        |        |       |           |           |         |         |                                         |
|------------------------------------------|--------|--------|-------|-----------|-----------|---------|---------|-----------------------------------------|
| leased<br>through 2014)                  |        |        |       |           |           |         |         |                                         |
| West Babylon                             | 100.0% | 84.5%  | 11.40 | 79,000    | 79,000    | -       | -       | 6,550 Waldbaum's                        |
| Bronx<br>(1750-1780<br>Gun Hill<br>Road) | 100.0% | 45.3%  | 45.02 | 83,000    | 55,000    | -       | 28,000  | - T.G.I.<br>Friday's,<br>Duane<br>Reade |
| Queens                                   | 100.0% | 74.4%  | 38.78 | 58,000    | 58,000    | -       | -       | - New York<br>Sports Club               |
| Oceanside                                | 100.0% | 100.0% | 27.83 | 16,000    | 16,000    | -       | -       | - Party City                            |
| Total New<br>York                        |        |        |       | 3,066,000 | 2,323,000 | 606,000 | 137,000 | 69,248                                  |
| 28                                       |        |        |       |           |           |         |         |                                         |

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## Item 2. Properties - continued

| Property<br>DETAIL<br>(Continued):                            | Ownership<br>% | Occupancy<br>% | Annualized<br>Rent PSF<br>(1) | Total      | Square Feet<br>In Service |                       | Out of<br>Service<br>Under<br>Development | Encumbrances<br>(in thousands) | Major<br>Tenants                                                         |
|---------------------------------------------------------------|----------------|----------------|-------------------------------|------------|---------------------------|-----------------------|-------------------------------------------|--------------------------------|--------------------------------------------------------------------------|
|                                                               |                |                |                               |            | Owned<br>by<br>Company    | Owned<br>By<br>Tenant |                                           |                                |                                                                          |
| Maryland:<br>Baltimore<br>(Crownson)                          | 100.0%         | 100.0%         | \$ 14.30                      | 150,000    | 150,000                   | -                     | -                                         | -\$                            | - Shoppers<br>Food<br>Warehouse<br>Staples,<br>A.C. Moore<br>Golf Galaxy |
| Baltimore<br>(ground and<br>building leased<br>through 2042)  | 100.0%         | 100.0%         | 8.99                          | 128,000    | 128,000                   | -                     | -                                         | -                              | - The Home<br>Depot                                                      |
| Green Burnie                                                  | 100.0%         | 78.5%          | 10.42                         | 121,000    | 65,000                    | 56,000                | -                                         | -                              | - Weis<br>Markets                                                        |
| Rockville                                                     | 100.0%         | 99.3%          | 23.06                         | 94,000     | 94,000                    | -                     | -                                         | 13,880                         | Regal<br>Cinemas                                                         |
| Total Maryland                                                |                |                |                               | 493,000    | 437,000                   | 56,000                | -                                         | 13,880                         |                                                                          |
| Massachusetts:<br>Andover                                     | 100.0%         | 100.0%         | -                             | 224,000    | -                         | 224,000               | -                                         | -                              | - Wal-Mart                                                               |
| Springfield                                                   | 100.0%         | 97.3%          | 14.86                         | 152,000    | 33,000                    | 119,000               | -                                         | -                              | - Wal-Mart                                                               |
| Wilmington<br>(ground and<br>building leased<br>through 2019) | 100.0%         | 100.0%         | 8.01                          | 83,000     | 83,000                    | -                     | -                                         | -                              | - Kohl's <sup>(6)</sup>                                                  |
| Total<br>Massachusetts                                        |                |                |                               | 459,000    | 116,000                   | 343,000               | -                                         | -                              |                                                                          |
| California:<br>San Jose                                       | 45.0%          | 100.0%         | 29.10                         | 646,000(5) | 427,000                   | 161,000(5)            | 58,000                                    | 132,570                        | Target <sup>(5)</sup> ,<br>The Home<br>Depot, Toy<br>"R" Us, Be          |

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|                                                             |        |        |       |           |         |         |         |         | Buy                                                                                                      |
|-------------------------------------------------------------|--------|--------|-------|-----------|---------|---------|---------|---------|----------------------------------------------------------------------------------------------------------|
| (91.0% of total square feet in service)                     |        |        |       |           |         |         |         |         |                                                                                                          |
| everly<br>onnection,<br>os Angeles                          | 100.0% | 100.0% | 36.33 | 271,000   | 193,000 | -       | 78,000  | 100,000 | Marshalls,<br>Old Navy,<br>Sports<br>Chalet,<br>Loehmann<br>Nordstrom<br>Rack, Ross<br>Dress for<br>Less |
| (71.2% of total square feet in service)                     |        |        |       |           |         |         |         |         |                                                                                                          |
| asadena<br>round leased<br>rough 2077)                      | 100.0% | 64.1%  | 30.21 | 133,000   | 133,000 | -       | -       | -       | - Breakthru<br>Fitness,<br>Trader Joe                                                                    |
| an Francisco<br>(he Cannery)<br>801<br>Leavenworth<br>reet) | 95.0%  | 23.4%  | 26.37 | 104,000   | 104,000 | -       | -       | 18,013  |                                                                                                          |
| an Francisco<br>75<br>acramento<br>reet)                    | 100.0% | 100.0% | 31.31 | 76,000    | 76,000  | -       | -       | -       | - Open TV<br>Inc.                                                                                        |
| an Francisco<br>700 Geary<br>oulevard)                      | 100.0% | 100.0% | 30.00 | 30,000    | 30,000  | -       | -       | -       | - OfficeMax                                                                                              |
| Walnut Creek<br>149 South<br>ain Street)                    | 100.0% | 100.0% | 39.79 | 29,000    | 29,000  | -       | -       | -       | - Barnes &<br>Noble                                                                                      |
| Walnut Creek<br>556 Mt.<br>iablo<br>oulevard)               | 95.0%  | -      | -     | -         | -       | -       | -       | -       | -                                                                                                        |
| Total California                                            |        |        |       | 1,289,000 | 992,000 | 161,000 | 136,000 | 250,583 |                                                                                                          |
| onnecticut:<br>ewington                                     | 100.0% | 100.0% | 15.01 | 188,000   | 43,000  | 145,000 | -       | -       | - Wal-Mart,<br>Staples                                                                                   |
| Waterbury                                                   | 100.0% | 100.0% | 14.83 | 148,000   | 143,000 | 5,000   | -       | -       | - ShopRite                                                                                               |

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|                                              |        |        |       |         |         |         |   |                                                                                                                      |
|----------------------------------------------|--------|--------|-------|---------|---------|---------|---|----------------------------------------------------------------------------------------------------------------------|
| total                                        |        |        |       | 336,000 | 186,000 | 150,000 | - | -                                                                                                                    |
| onnecticut                                   |        |        |       |         |         |         |   |                                                                                                                      |
| <b>orida:</b>                                |        |        |       |         |         |         |   |                                                                                                                      |
| ampa                                         | 72.0%  | 75.5%  | 21.25 | 263,000 | 263,000 | -       | - | 22,759 Pottery<br>Barn,<br>CineBistro<br>Brooks<br>Brothers<br>Williams<br>Sonoma,<br>Lifestyle<br>Family<br>Fitness |
| <b>ichigan:</b>                              |        |        |       |         |         |         |   |                                                                                                                      |
| oseville                                     | 100.0% | 100.0% | 5.26  | 119,000 | 119,000 | -       | - | - JC Penney                                                                                                          |
| <b>irginia:</b>                              |        |        |       |         |         |         |   |                                                                                                                      |
| orfolk                                       | 100.0% | 100.0% | 5.85  | 114,000 | 114,000 | -       | - | - BJ's<br>Wholesale<br>Club                                                                                          |
| ground and<br>uilding leased<br>(rough 2069) |        |        |       |         |         |         |   |                                                                                                                      |

**Item 2. Properties - continued**

| Property                                                                        | Ownership % | Occupancy % | Annualized Rent PSF (1) | Total  | Square Feet      |                 | Out of Service Under Development | Encumbrances (in thousands) | Major Tenants             |
|---------------------------------------------------------------------------------|-------------|-------------|-------------------------|--------|------------------|-----------------|----------------------------------|-----------------------------|---------------------------|
|                                                                                 |             |             |                         |        | Owned by Company | Owned By Tenant |                                  |                             |                           |
| RETAIL                                                                          |             |             |                         |        |                  |                 |                                  |                             |                           |
| (Continued):                                                                    |             |             |                         |        |                  |                 |                                  |                             |                           |
| Washington, DC                                                                  |             |             |                         |        |                  |                 |                                  |                             |                           |
| 3040 M Street                                                                   | 100.0%      | 100.0%      | \$ 46.36                | 42,000 | 42,000           | -               | -                                | \$                          | - Barnes & Noble, Barneys |
| New Hampshire:                                                                  |             |             |                         |        |                  |                 |                                  |                             |                           |
| Salem (ground leased through 2102)                                              | 100.0%      | 100.0%      | -                       | 37,000 | -                | 37,000          | -                                | -                           | - Babies "R" Us           |
| ACQUIRED FROM TOYS 'R' US                                                       |             |             |                         |        |                  |                 |                                  |                             |                           |
| Wheaton, MD (ground leased through 2060)                                        | 100.0%      | 100.0%      | 13.58                   | 66,000 | 66,000           | -               | -                                | -                           | - Best Buy                |
| San Francisco, CA (2675 Geary Street) (ground and building leased through 2043) | 100.0%      | 100.0%      | 45.76                   | 55,000 | 55,000           | -               | -                                | -                           | - Best Buy                |
| Cambridge, MA (ground and building leased through 2033)                         | 100.0%      | 100.0%      | 19.84                   | 48,000 | 48,000           | -               | -                                | -                           | - PetSmart                |
| Battle Creek, MI                                                                | 100.0%      | -           | -                       | 47,000 | 47,000           | -               | -                                | -                           | -                         |

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|                                                                    |        |        |       |        |        |   |   |            |
|--------------------------------------------------------------------|--------|--------|-------|--------|--------|---|---|------------|
| Commack, NY<br>(ground and building leased through 2021)           | 100.0% | 59.0%  | 22.56 | 47,000 | 47,000 | - | - | - PetSmart |
| Lansing, IL                                                        | 100.0% | -      | -     | 47,000 | 47,000 | - | - | -          |
| Springdale, OH<br>(ground and building leased through 2046)        | 100.0% | -      | -     | 47,000 | 47,000 | - | - | -          |
| Arlington Heights, IL<br>(ground and building leased through 2043) | 100.0% | 100.0% | 9.00  | 46,000 | 46,000 | - | - | - RVI      |
| Bellingham, WA                                                     | 100.0% | -      | -     | 46,000 | 46,000 | - | - | -          |
| Dewitt, NY<br>(ground leased through 2041)                         | 100.0% | 100.0% | 18.60 | 46,000 | 46,000 | - | - | - Best Buy |
| Ogden, UT                                                          | 100.0% | -      | -     | 46,000 | 46,000 | - | - | -          |
| Redding, CA                                                        | 100.0% | 49.7%  | 13.00 | 46,000 | 46,000 | - | - | - PetSmart |
| Antioch, TN                                                        | 100.0% | 100.0% | 6.96  | 45,000 | 45,000 | - | - | - Best Buy |
| Charleston, SC<br>(ground leased through 2063)                     | 100.0% | 100.0% | 13.51 | 45,000 | 45,000 | - | - | - Best Buy |
| Dorchester, MA                                                     | 100.0% | 100.0% | 29.85 | 45,000 | 45,000 | - | - | - Best Buy |
| Signal Hill, CA                                                    | 100.0% | 100.0% | 21.89 | 45,000 | 45,000 | - | - | - Best Buy |
| Tampa, FL                                                          | 100.0% | 100.0% | -     | 45,000 | 45,000 | - | - | -          |

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|                                                                                                        |        |        |       |        |        |   |   |                                               |
|--------------------------------------------------------------------------------------------------------|--------|--------|-------|--------|--------|---|---|-----------------------------------------------|
|                                                                                                        |        |        |       |        |        |   |   | Nordstrom<br>Rack (lease<br>not<br>commenced) |
| Vallejo, CA<br>(ground<br>leased<br>through 2043)                                                      | 100.0% | 100.0% | 15.92 | 45,000 | 45,000 | - | - | - Best Buy                                    |
| Freeport, NY<br>(240 West<br>Sunrise<br>Highway)<br>(ground and<br>building<br>leased<br>through 2040) | 100.0% | 100.0% | 18.44 | 44,000 | 44,000 | - | - | - Bob's<br>Discount<br>Furniture              |
| Fond Du Lac,<br>WI<br>(ground<br>leased<br>through 2073)                                               | 100.0% | 100.0% | 7.12  | 43,000 | 43,000 | - | - | - PetSmart                                    |
| San Antonio,<br>TX<br>(ground and<br>building<br>leased<br>through 2041)                               | 100.0% | 100.0% | 9.06  | 43,000 | 43,000 | - | - | - Best Buy                                    |
| Chicago, IL<br>(ground and<br>building<br>leased<br>through 2051)                                      | 100.0% | 100.0% | 10.94 | 41,000 | 41,000 | - | - | - Best Buy                                    |

**Item 2. Properties - continued**

| Property<br>DETAIL<br>(continued):                                  | %<br>Ownership | %<br>Occupancy | Annualized<br>Rent PSF<br>(1) | Total     | Square Feet<br>In Service |                       | Out of<br>Service | Encumbrances<br>(in thousands) | Major<br>Tenants  |
|---------------------------------------------------------------------|----------------|----------------|-------------------------------|-----------|---------------------------|-----------------------|-------------------|--------------------------------|-------------------|
|                                                                     |                |                |                               |           | Owned by<br>Company       | Owned<br>By<br>Tenant |                   |                                |                   |
| Springfield, PA<br>(ground and<br>building leased<br>through 2025)  | 100.0%         | 100.0%         | \$ 19.00                      | 41,000    | 41,000                    | -                     | -\$               |                                | - PetSmart        |
| son's Corner, VA<br>(ground and<br>building leased<br>through 2035) | 100.0%         | 100.0%         | 35.57                         | 38,000    | 38,000                    | -                     | -                 |                                | - Best Buy        |
| iami, FL<br>(ground and<br>building leased<br>through 2034)         | 100.0%         | 79.9%          | 13.17                         | 33,000    | 33,000                    | -                     | -                 |                                | - Office<br>Depot |
| Wrensboro, KY<br>(ground and<br>building leased<br>through 2046)    | 100.0%         | 100.0%         | 6.96                          | 32,000    | 32,000                    | -                     | -                 |                                | - Best Buy        |
| ubuque, IA<br>(ground leased<br>through 2043)                       | 100.0%         | 100.0%         | 9.00                          | 31,000    | 31,000                    | -                     | -                 |                                | - PetSmart        |
| erced, CA                                                           | 100.0%         | 100.0%         | 13.27                         | 31,000    | 31,000                    | -                     | -                 |                                | - PetSmart        |
| Midland, MI (ground<br>leased through 2043)                         | 100.0%         | 83.6%          | 8.38                          | 31,000    | 31,000                    | -                     | -                 |                                | - PetSmart        |
| arkana, TX<br>(ground leased<br>through 2043)                       | 100.0%         | 100.0%         | 4.39                          | 31,000    | 31,000                    | -                     | -                 |                                | - Home<br>Zone    |
| Total Acquired<br>from Toys 'R' Us                                  |                |                |                               | 1,296,000 | 1,296,000                 | -                     | -                 |                                | -                 |
| <b>CALIFORNIA<br/>SUPERMARKETS</b>                                  | 100.0%         | 100.0%         | 4.44                          | 73,000    | 73,000                    | -                     | -                 |                                | -                 |

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|                                           |        |                 |              |                   |                   |                  |                  |                |                   |
|-------------------------------------------|--------|-----------------|--------------|-------------------|-------------------|------------------|------------------|----------------|-------------------|
| Meridian (1904 North Lincoln Avenue)      |        |                 |              |                   |                   |                  |                  |                | - Stater Brothers |
| Westside (9155 Dupont Road)               | 100.0% | 100.0%          | 6.00         | 42,000            | 42,000            | -                | -                | -              | - Stater Brothers |
| San Bernadino (1522 West Highland Avenue) | 100.0% | 100.0%          | 7.23         | 40,000            | 40,000            | -                | -                | -              | - Stater Brothers |
| Westside (5571 Mission Boulevard)         | 100.0% | 100.0%          | 4.97         | 39,000            | 39,000            | -                | -                | -              | - Stater Brothers |
| Durham (ground leased through 2079)       | 100.0% | 100.0%          | 6.55         | 34,000            | 34,000            | -                | -                | -              | - Stater Brothers |
| Chandler (ground leased through 2079)     | 100.0% | 100.0%          | 7.76         | 33,000            | 33,000            | -                | -                | -              | - Stater Brothers |
| Scottsdale                                | 100.0% | 100.0%          | 4.13         | 31,000            | 31,000            | -                | -                | -              | - Stater Brothers |
| Glendale                                  | 100.0% | 100.0%          | 7.15         | 30,000            | 30,000            | -                | -                | -              | - Stater Brothers |
| Orange Valley                             | 100.0% | -               | -            | 30,000            | 30,000            | -                | -                | -              | -                 |
| San Bernadino (648 East 4th Street)       | 100.0% | 100.0%          | 6.74         | 30,000            | 30,000            | -                | -                | -              | - Stater Brothers |
| Alhambra                                  | 100.0% | 100.0%          | 5.58         | 29,000            | 29,000            | -                | -                | -              | - Stater Brothers |
| Desert Hot Springs                        | 100.0% | 100.0%          | 5.61         | 29,000            | 29,000            | -                | -                | -              | - Stater Brothers |
| Palmdale                                  | 100.0% | 100.0%          | 5.74         | 29,000            | 29,000            | -                | -                | -              | - Stater Brothers |
| Glendale (151 East Willey Boulevard)      | 100.0% | 100.0%          | 6.03         | 26,000            | 26,000            | -                | -                | -              | - Stater Brothers |
| Tucson                                    | 100.0% | 100.0%          | 6.26         | 26,000            | 26,000            | -                | -                | -              | - Stater Brothers |
| Total California Supermarkets             |        |                 |              | 521,000           | 521,000           | -                | -                | -              |                   |
| <b>Total Strip Shopping Centers</b>       |        | <b>91.6% \$</b> | <b>15.61</b> | <b>17,353,000</b> | <b>12,858,000</b> | <b>3,840,000</b> | <b>655,000\$</b> | <b>407,675</b> |                   |

|               |        |        |      |        |        |   |   |          |
|---------------|--------|--------|------|--------|--------|---|---|----------|
| verside (9155 | 100.0% | 100.0% | 6.00 | 42,000 | 42,000 | - | - | - Stater |
| rupa Road)    |        |        |      |        |        |   |   | Brothe   |

|                                            |        |        |      |        |        |   |   |                    |
|--------------------------------------------|--------|--------|------|--------|--------|---|---|--------------------|
| n Bernadino (1522<br>st Highland<br>venue) | 100.0% | 100.0% | 7.23 | 40,000 | 40,000 | - | - | - Stater<br>Brothe |
|--------------------------------------------|--------|--------|------|--------|--------|---|---|--------------------|

|                                     |        |        |      |        |        |   |   |                    |
|-------------------------------------|--------|--------|------|--------|--------|---|---|--------------------|
| verside (5571<br>Mission Boulevard) | 100.0% | 100.0% | 4.97 | 39,000 | 39,000 | - | - | - Stater<br>Brothe |
|-------------------------------------|--------|--------|------|--------|--------|---|---|--------------------|

|                                       |        |        |      |        |        |   |   |                     |
|---------------------------------------|--------|--------|------|--------|--------|---|---|---------------------|
| to be paid (ground used through 2079) | 100.0% | 100.0% | 6.55 | 34,000 | 34,000 | - | - | - Stater<br>Brother |
|---------------------------------------|--------|--------|------|--------|--------|---|---|---------------------|

|                                   |        |        |      |        |        |   |   |                     |
|-----------------------------------|--------|--------|------|--------|--------|---|---|---------------------|
| Corona (ground used through 2079) | 100.0% | 100.0% | 7.76 | 33,000 | 33,000 | - | - | - Stater<br>Brother |
|-----------------------------------|--------|--------|------|--------|--------|---|---|---------------------|

|       |        |        |      |        |        |   |   |                    |
|-------|--------|--------|------|--------|--------|---|---|--------------------|
| Caipa | 100.0% | 100.0% | 4.13 | 31,000 | 31,000 | - | - | - Stater<br>Brothe |
|-------|--------|--------|------|--------|--------|---|---|--------------------|

|            |        |        |      |        |        |   |   |                   |
|------------|--------|--------|------|--------|--------|---|---|-------------------|
| Sturtevant | 100.0% | 100.0% | 7.15 | 30,000 | 30,000 | - | - | - Stater Brothers |
|------------|--------|--------|------|--------|--------|---|---|-------------------|

|              |        |   |   |        |        |   |   |   |
|--------------|--------|---|---|--------|--------|---|---|---|
| oreno Valley | 100.0% | - | - | 30,000 | 30,000 | - | - | - |
|--------------|--------|---|---|--------|--------|---|---|---|

|                                     |        |        |      |        |        |   |   |                    |
|-------------------------------------|--------|--------|------|--------|--------|---|---|--------------------|
| n Bernadino (648<br>est 4th Street) | 100.0% | 100.0% | 6.74 | 30,000 | 30,000 | - | - | - Stater<br>Brothe |
|-------------------------------------|--------|--------|------|--------|--------|---|---|--------------------|

|                 |        |        |      |        |        |   |   |                   |
|-----------------|--------|--------|------|--------|--------|---|---|-------------------|
| Stater Brothers | 100.0% | 100.0% | 5.58 | 29,000 | 29,000 | - | - | - Stater Brothers |
|-----------------|--------|--------|------|--------|--------|---|---|-------------------|

|                    |        |        |      |        |        |   |   |                    |
|--------------------|--------|--------|------|--------|--------|---|---|--------------------|
| Desert Hot Springs | 100.0% | 100.0% | 5.61 | 29,000 | 29,000 | - | - | - Stater<br>Brothe |
|--------------------|--------|--------|------|--------|--------|---|---|--------------------|

|      |        |        |      |        |        |   |   |                    |
|------|--------|--------|------|--------|--------|---|---|--------------------|
| alto | 100.0% | 100.0% | 5.74 | 29,000 | 29,000 | - | - | - Stater<br>Brothe |
|------|--------|--------|------|--------|--------|---|---|--------------------|

|                                     |        |        |      |        |        |   |   |                    |
|-------------------------------------|--------|--------|------|--------|--------|---|---|--------------------|
| Alton (151 East<br>Alley Boulevard) | 100.0% | 100.0% | 6.03 | 26,000 | 26,000 | - | - | - Stater<br>Brothe |
|-------------------------------------|--------|--------|------|--------|--------|---|---|--------------------|

|        |        |        |      |        |        |   |   |                    |
|--------|--------|--------|------|--------|--------|---|---|--------------------|
| Antana | 100.0% | 100.0% | 6.26 | 26,000 | 26,000 | - | - | - Stater<br>Brothe |
|--------|--------|--------|------|--------|--------|---|---|--------------------|

|                               |         |         |   |   |   |
|-------------------------------|---------|---------|---|---|---|
| Total California supermarkets | 521,000 | 521,000 | - | - | - |
|-------------------------------|---------|---------|---|---|---|

|                              |       |          |            |            |           |         |            |
|------------------------------|-------|----------|------------|------------|-----------|---------|------------|
| Total Strip Shopping Centers | 91.6% | \$ 15.61 | 17,353,000 | 12,858,000 | 3,840,000 | 655,000 | \$ 407,675 |
|------------------------------|-------|----------|------------|------------|-----------|---------|------------|

|                                 |       |    |       |            |            |           |         |    |         |
|---------------------------------|-------|----|-------|------------|------------|-----------|---------|----|---------|
| Vornado's<br>Ownership Interest | 91.5% | \$ | 15.30 | 16,730,000 | 12,544,000 | 3,563,000 | 623,000 | \$ | 327,488 |
|---------------------------------|-------|----|-------|------------|------------|-----------|---------|----|---------|

**Item 2. Properties - continued**

| Property<br>DETAIL<br>(continued):                               | Ownership | Occupancy | Annualized<br>Rent PSF<br>(1) | Total   | Square Feet<br>In Service |                       | Out of<br>Service    | Encumbrances<br>(in thousands) | Major<br>Tenants                                                      |
|------------------------------------------------------------------|-----------|-----------|-------------------------------|---------|---------------------------|-----------------------|----------------------|--------------------------------|-----------------------------------------------------------------------|
|                                                                  |           |           |                               |         | Owned by<br>Company       | Owned<br>By<br>Tenant | Under<br>Development |                                |                                                                       |
| MANHATTAN<br>STREET<br>DETAIL<br>Manhattan Mall                  | 100.0%    | 96.3%     | \$ 79.30                      | 242,000 | 242,000                   | -                     | -                    | 72,639                         | JC Penney,<br>Charlotte<br>Russe,<br>Aeropostale<br>Express           |
| Union Square<br>South                                            | 100.0%    | 100.0%    | 53.25                         | 203,000 | 203,000                   | -                     | -                    | 75,000                         | Filene's<br>Basement,<br>Whole Foods<br>Market,<br>DSW,<br>Forever 21 |
| 40 Broadway<br><br>(78.9% of<br>total square feet<br>in service) | 100.0%    | 100.0%    | 80.26                         | 161,000 | 127,000                   | -                     | 34,000               | -                              | Forever 21,<br>Planet<br>Hollywood<br>Disney (lea<br>not<br>commenced |
| 8-486<br>Broadway                                                | 100.0%    | 100.0%    | 100.53                        | 85,000  | 81,000                    | -                     | 4,000                | -                              | - Top Shop,<br>Madewell,<br>Crew                                      |
| West 14th<br>Street                                              | 100.0%    | 100.0%    | 57.47                         | 62,000  | 62,000                    | -                     | -                    | -                              | - Guitar<br>Center,<br>Levi's                                         |
| 5 Seventh<br>Avenue                                              | 100.0%    | 100.0%    | 165.32                        | 43,000  | 43,000                    | -                     | -                    | 52,000                         | Hennes &<br>Mauritz                                                   |
| 5 Spring<br>Street                                               | 100.0%    | 76.8%     | 100.65                        | 43,000  | 43,000                    | -                     | -                    | -                              | - Sigrid Olse                                                         |

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|                                         |        |        |        |        |        |   |   |                                                             |
|-----------------------------------------|--------|--------|--------|--------|--------|---|---|-------------------------------------------------------------|
| 2 Broadway                              | 100.0% | -      | -      | 35,000 | 35,000 | - | - | -                                                           |
| 35 Third Avenue                         | 100.0% | 100.0% | 98.43  | 25,000 | 25,000 | - | - | - GAP                                                       |
| 5 Lexington (round leased through 2041) | 100.0% | 100.0% | 155.56 | 23,000 | 23,000 | - | - | - New York Company, Zales                                   |
| West 34th Street                        | 100.0% | 100.0% | 185.33 | 21,000 | 21,000 | - | - | - Express                                                   |
| 8-850 Madison Avenue                    | 100.0% | 100.0% | 342.02 | 18,000 | 18,000 | - | - | 80,000 Gucci, Chloe, Cartier                                |
| 4 Eighth Avenue                         | 100.0% | 100.0% | 84.72  | 14,000 | 14,000 | - | - | - T.G.I. Friday's                                           |
| East 66th Street                        | 100.0% | 100.0% | 380.08 | 12,000 | 12,000 | - | - | - Dennis Basso, Nespresso USA J. Crew (lease not commenced) |
| 1 Seventh Avenue                        | 100.0% | 75.0%  | 49.38  | 10,000 | 10,000 | - | - | -                                                           |
| 7 West Broadway                         | 100.0% | 100.0% | 134.42 | 9,000  | 9,000  | - | - | - Reiss                                                     |
| 7-679 Madison Avenue                    | 100.0% | 100.0% | 329.89 | 8,000  | 8,000  | - | - | - Anne Fontaine                                             |
| 8 Spring Street                         | 100.0% | 100.0% | 84.88  | 7,000  | 7,000  | - | - | - Briel                                                     |
| 0 Spring Street                         | 100.0% | 100.0% | 110.33 | 7,000  | 7,000  | - | - | - Puma                                                      |
| 1-217 Columbus Avenue                   | 100.0% | 100.0% | 281.51 | 6,000  | 6,000  | - | - | - Club Monaco                                               |
| 8 Third Avenue                          | 50.0%  | 100.0% | 161.29 | 6,000  | 6,000  | - | - | - ING Bank                                                  |
| 6 West Broadway                         | 100.0% | 100.0% | 191.31 | 4,000  | 4,000  | - | - | 4,361 Miss Sixty                                            |

|                               |        |        |          |            |            |           |             |           |         |
|-------------------------------|--------|--------|----------|------------|------------|-----------|-------------|-----------|---------|
| 5 Seventh Avenue              | 100.0% | 100.0% | 181.55   | 4,000      | 4,000      | -         | -           | -         | Lindy's |
| Total Manhattan Street Retail |        | 94.4%  | \$ 96.57 | 1,048,000  | 1,010,000  | -         | 38,000\$    | 284,000   |         |
| Vornado's ownership interest  |        | 94.4%  | \$ 96.37 | 1,045,000  | 1,007,000  | -         | 38,000\$    | 284,000   |         |
| Total Retail Space            |        | 91.6%  |          | 26,565,000 | 19,364,000 | 5,556,000 | 1,645,000\$ | 1,968,067 |         |
| Vornado's ownership interest  |        | 91.6%  |          | 24,151,000 | 18,663,000 | 3,890,000 | 1,598,000\$ | 1,799,315 |         |

Item 2. Properties - continued

|                           |           |           |            |           | Square Feet |        |             |       |                |                                                                                                                                                                                                                                                                                                                                     |  |
|---------------------------|-----------|-----------|------------|-----------|-------------|--------|-------------|-------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|                           |           |           |            |           | In Service  | Owned  |             |       |                |                                                                                                                                                                                                                                                                                                                                     |  |
|                           | %         | %         | Annualized |           | Owned       | Owned  | Out of      |       |                |                                                                                                                                                                                                                                                                                                                                     |  |
| Property                  | Ownership | Occupancy | Rent PSF   | Total     | by          | By     | Service     | Under | Encumbrances   | Major Tenants                                                                                                                                                                                                                                                                                                                       |  |
| CHANDISE                  |           |           | (1)        |           | Company     | Tenant | Development |       | (in thousands) |                                                                                                                                                                                                                                                                                                                                     |  |
| RT:                       |           |           |            |           |             |        |             |       |                |                                                                                                                                                                                                                                                                                                                                     |  |
| INOIS:                    |           |           |            |           |             |        |             |       |                |                                                                                                                                                                                                                                                                                                                                     |  |
| chandise Mart, Chicago    | 100.0%    | 94.0%     | \$ 29.58   | 3,494,000 | 3,494,000   | -      | -           | \$    | 550,000        | American Intercontinental University (AIU), Baker, Knap Tubbs, CCC Information Services, Ogilvy Group (WPP), Chicago Teachers Union, Office of the Special Deputy Receiver, Publicis Groupe, Bankers Life Casualty, Hunt Ltd., Merchandise Mart Headquarter Steelcase, Chicago School of Professional Psychology, Royal Bank Canada |  |
| West Mart Center, Chicago | 100.0%    | 81.1%     | 25.71      | 1,223,000 | 1,223,000   | -      | -           | -     | -              | 21st Century Telecom/RC Ameritech, Chicago Sun-Times, Comcast, Fis Solutions, Ogilvy Group (WPP), Illinois Institute of A                                                                                                                                                                                                           |  |

|                                     |        |                 |              |                  |                  |          |            |                | Ronin Capital                                                                                                                                                                                                                                                    |
|-------------------------------------|--------|-----------------|--------------|------------------|------------------|----------|------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| er                                  | 50.0%  | 79.4%           | 31.64        | 19,000           | 19,000           | -        | -          | 24,758         |                                                                                                                                                                                                                                                                  |
| al Illinois                         |        | 90.6%           | 28.66        | 4,736,000        | 4,736,000        | -        | -          | 574,758        |                                                                                                                                                                                                                                                                  |
| <b>WASHINGTON,</b>                  |        |                 |              |                  |                  |          |            |                |                                                                                                                                                                                                                                                                  |
| hington Design<br>ter               | 100.0% | 94.2%           | 37.91        | 393,000          | 393,000          | -        | -          | 44,247         | General<br>Services<br>Administrati                                                                                                                                                                                                                              |
| <b>TH POINT,<br/>RTH<br/>ROLINA</b> |        |                 |              |                  |                  |          |            |                |                                                                                                                                                                                                                                                                  |
| ket Square<br>mplex                 | 100.0% | 86.5%           | 16.21        | 2,011,000        | 2,011,000        | -        | -          | 217,815        | ART Furnitu<br>Cambium<br>Business,<br>Canadel<br>Furniture,<br>Century<br>Furniture<br>Company,<br>Classic<br>Furniture, H<br>Brands,<br>La-Z-Boy,<br>Legacy Clas<br>Furniture,<br>Progressive<br>Furniture,<br>Robinson &<br>Robinson,<br>Vaughan<br>Furniture |
| <b>ALIFORNIA</b>                    |        |                 |              |                  |                  |          |            |                |                                                                                                                                                                                                                                                                  |
| l Mart                              | 100.0% | 69.8%           | 19.93        | 781,000          | 781,000          | -        | -          | -              | Penstan<br>Investments                                                                                                                                                                                                                                           |
| <b>W YORK</b>                       |        |                 |              |                  |                  |          |            |                |                                                                                                                                                                                                                                                                  |
| est 34th Street                     | 100.0% | 91.7%           | 38.17        | 419,000          | 419,000          | -        | -          | -              | Kurt Adler                                                                                                                                                                                                                                                       |
| <b>SSACHUSETTS</b>                  |        |                 |              |                  |                  |          |            |                |                                                                                                                                                                                                                                                                  |
| ton Design Center                   | 100.0% | 97.6%           | 29.61        | 553,000          | 553,000          | -        | -          | 69,667         | Boston<br>Brewing/Fite<br>Puma, Rober<br>Allen                                                                                                                                                                                                                   |
| ground leased<br>(ough 2060)        |        |                 |              |                  |                  |          |            |                |                                                                                                                                                                                                                                                                  |
|                                     |        | <b>88.5% \$</b> | <b>26.16</b> | <b>8,893,000</b> | <b>8,893,000</b> | <b>-</b> | <b>-\$</b> | <b>906,487</b> |                                                                                                                                                                                                                                                                  |

al Merchandise  
rt  
  
nado's  
nership Interest

|       |    |       |           |           |   |     |         |
|-------|----|-------|-----------|-----------|---|-----|---------|
| 88.5% | \$ | 26.16 | 8,884,000 | 8,884,000 | - | -\$ | 894,108 |
|-------|----|-------|-----------|-----------|---|-----|---------|

**Item 2. Properties - continued**

| Property                            | Ownership | Occupancy    | Annualized<br>Rent PSF<br>(1) | Total            | Square Feet                          |                       | Out of<br>Service<br>Under | Encumbrances<br>(in thousands) | Major<br>Tenants                                                                                                                                                      |
|-------------------------------------|-----------|--------------|-------------------------------|------------------|--------------------------------------|-----------------------|----------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                     |           |              |                               |                  | In Service<br>Owned<br>by<br>Company | Owned<br>By<br>Tenant |                            |                                |                                                                                                                                                                       |
| <b>555 CALIFORNIA STREET:</b>       |           |              |                               |                  |                                      |                       |                            |                                |                                                                                                                                                                       |
| 555 California Street               | 70.0%     | 93.8%        | \$ 57.35                      | 1,502,000        | 1,502,000                            | -                     | -                          | \$ 664,118(7)                  | Bank of America, N.A., Dodge & Cox, Goldman Sachs & Co., Jones Day, Kirkland & Ellis LLP, Morgan Stanley & Co. Inc., McKinsey & Company Inc., UBS Financial Services, |
| 315 Montgomery Street               | 70.0%     | 100.0%       | 42.37                         | 228,000          | 228,000                              | -                     | -                          | -                              | Bank of America, N.A.                                                                                                                                                 |
| 345 Montgomery Street               | 70.0%     | 100.0%       | 104.87                        | 64,000           | 64,000                               | -                     | -                          | -                              | Bank of America, N.A.                                                                                                                                                 |
| <b>Total 555 California Street</b>  |           | <b>94.8%</b> | <b>\$ 57.25</b>               | <b>1,794,000</b> | <b>1,794,000</b>                     | <b>-</b>              | <b>-</b>                   | <b>\$ 664,118</b>              |                                                                                                                                                                       |
| <b>Vornado's Ownership Interest</b> |           | <b>94.8%</b> | <b>\$ 57.25</b>               | <b>1,256,000</b> | <b>1,256,000</b>                     | <b>-</b>              | <b>-</b>                   | <b>\$ 472,192</b>              |                                                                                                                                                                       |



**Item 2. Properties - continued**

|                                             |           |              |                |                  | Square Feet      |             | Out of<br>Service | Encumbrances   | Major                                                                                                                                                                                                                                            |
|---------------------------------------------|-----------|--------------|----------------|------------------|------------------|-------------|-------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                             |           |              |                |                  | In Service       | Owned<br>by |                   |                |                                                                                                                                                                                                                                                  |
| Property                                    | %         | %            | Annualized     | Total            | Owned            | Owned       | Under             | (in thousands) | Tenants                                                                                                                                                                                                                                          |
| WAREHOUSES:                                 | Ownership | Occupancy    | Rent PSF       |                  | by               | By          | Development       |                |                                                                                                                                                                                                                                                  |
| NEW JERSEY                                  |           |              | (1)            |                  | Company          | Tenant      |                   |                |                                                                                                                                                                                                                                                  |
| East Hanover -<br>Five Buildings            | 100.0%    | 89.4%        | \$ 5.40        | 942,000          | 942,000          | -           | -\$               | 24,813         | J, Leven &<br>Company,<br>Foremost<br>Int'l<br>Trading<br>Inc.,<br>Tri-coastal<br>Design<br>Group<br>Inc.,<br>Fidelity<br>Paper &<br>Supply<br>Inc.,<br>Gardner<br>Industries,<br>Stephen<br>Gould<br>Paper Co.,<br>Givaudan<br>Flavors<br>Corp. |
| Edison                                      | 100.0%    | -            | -              | 272,000          | 272,000          | -           | -                 | -              |                                                                                                                                                                                                                                                  |
| <b>Total<br/>Warehouses</b>                 |           | <b>69.4%</b> | <b>\$ 5.40</b> | <b>1,214,000</b> | <b>1,214,000</b> | <b>-</b>    | <b>-\$</b>        | <b>24,813</b>  |                                                                                                                                                                                                                                                  |
| <b>Vornado's<br/>Ownership<br/>Interest</b> |           | <b>69.4%</b> | <b>\$ 5.40</b> | <b>1,214,000</b> | <b>1,214,000</b> | <b>-</b>    | <b>-\$</b>        | <b>24,813</b>  |                                                                                                                                                                                                                                                  |



**Item 2. Properties - continued**

| Property                                                                                                                 | Ownership | %     | Occupancy | Annualized<br>Rent PSF<br>(1) | Total     | Square Feet<br>In Service |             | Out of<br>Service | Encumbrances<br>(in thousands) | Major<br>Tenants                                                    |
|--------------------------------------------------------------------------------------------------------------------------|-----------|-------|-----------|-------------------------------|-----------|---------------------------|-------------|-------------------|--------------------------------|---------------------------------------------------------------------|
|                                                                                                                          |           |       |           |                               |           | Owned<br>by               | Owned<br>By |                   |                                |                                                                     |
| ALEXANDER'S<br>NC.:<br>New York:<br>31 Lexington<br>Avenue,<br>Manhattan<br>Office                                       |           | 32.4% | 100.0%    | \$ 81.01                      | 885,000   | 885,000                   | -           |                   | -\$ 362,989                    | Bloomberg                                                           |
| Retail                                                                                                                   |           | 32.4% | 100.0%    | 154.61                        | 174,000   | 174,000                   | -           | -                 | 320,000                        | Hennes &<br>Mauritz,<br>Home<br>Depot,<br>The<br>Container<br>Store |
|                                                                                                                          |           |       |           |                               | 1,059,000 | 1,059,000                 | -           | -                 | 682,989                        |                                                                     |
| Kings Plaza<br>Regional<br>Shopping Center,<br>Brooklyn (24.3<br>acres)                                                  |           | 32.4% | 92.0%     | 40.63                         | 1,098,000 | 759,000                   | 339,000(8)  | -                 | 183,318                        | Sears,<br>Lowe's<br>(ground<br>lessee),<br>Macy (8)                 |
| Rego Park I,<br>Queens (4.8<br>acres)                                                                                    |           | 32.4% | 85.4%     | 32.28                         | 351,000   | 351,000                   | -           | -                 | 78,246                         | Sears, Bed<br>Bath &<br>Beyond,<br>Marshalls                        |
| Rego Park II<br>adjacent to Rego<br>Park I),<br>Queens (6.6<br>acres)<br>(67.2% of<br>total square feet<br>s in service) |           | 32.4% | 100.0%    | 36.25                         | 600,000   | 403,000                   | -           | 197,000           | 266,411                        | Century<br>21,<br>Costco,<br>Kohl's                                 |
|                                                                                                                          |           | 32.4% | 100.0%    | 14.99                         | 167,000   | 167,000                   | -           | -                 | -                              |                                                                     |

|                                                                             |       |        |                  |                  |                |   |                  |                  |                                   |
|-----------------------------------------------------------------------------|-------|--------|------------------|------------------|----------------|---|------------------|------------------|-----------------------------------|
| Flushing,<br>Queens <sup>(9)</sup> (1.0<br>acre)                            |       |        |                  |                  |                |   |                  |                  | New<br>World<br>Mall LLC          |
| <b>New Jersey:</b>                                                          |       |        |                  |                  |                |   |                  |                  |                                   |
| Paramus, New<br>Jersey                                                      | 32.4% | 100.0% | -                | -                | -              | - | -                | -                | 68,000 IKEA<br>(ground<br>lessee) |
| (30.3 acres<br>ground leased to<br>IKEA<br>through 2041)                    |       |        |                  |                  |                |   |                  |                  |                                   |
| <b>Property to be<br/>Developed:</b>                                        |       |        |                  |                  |                |   |                  |                  |                                   |
| Rego Park III<br>adjacent to Rego<br>Park II),<br>Queens, NY<br>(3.4 acres) | 32.4% | -      | -                | -                | -              | - | -                | -                | -                                 |
| <b>Total<br/>Alexander's</b>                                                |       |        | <b>3,275,000</b> | <b>2,739,000</b> | <b>339,000</b> |   | <b>197,000\$</b> | <b>1,278,964</b> |                                   |
| <b>Vornado's<br/>Ownership<br/>Interest</b>                                 |       |        | <b>1,061,000</b> | <b>887,000</b>   | <b>110,000</b> |   | <b>64,000\$</b>  | <b>414,384</b>   |                                   |



**Item 2. Properties - continued**

- (1) Annualized Rent PSF excludes ground rent, storage rent and garages.
- (2) Excludes US Post Office leased through 2038 (including five five-year renewal options) for which the annual escalated rent is \$11.03 per square foot.
- (3) Excludes 918,000 square feet in two buildings owned by ground lessees on land leased from us, including Pentagon Row Retail and Residential and Ritz Carlton (7.5% interest).
- (4) Annualized base rent disclosed is for mall tenants only.
- (5) Includes square footage of anchors who own the land and building.
- (6) The leases for these former Bradlees locations are guaranteed by Stop and Shop (70% as to Totowa).
- (7) Cross-collateralized by 555 California Street and 315 and 345 Montgomery Streets.
- (8) Owned by Macy's, Inc.
- (9) Leased by Alexander's through January 2037.

**New York Office Properties**

As of December 31, 2009, we own 28 office properties in New York City aggregating 16.2 million square feet, including 15.2 million square feet of office space, 817,000 square feet of retail space and 183,000 square feet of showroom space. In addition, the New York Office Properties segment includes 6 garages totaling 368,000 square feet (1,739 spaces) which are managed by, or leased, to third parties. The garage space is excluded from the statistics provided in this section.

***Occupancy and average annual escalated rent per square foot, excluding retail space:***

| <b>As of December 31,</b> | <b>Rentable<br/>Square Feet</b> | <b>Occupancy<br/>Rate</b> | <b>Average Annual<br/>Escalated Rent<br/>per Square Foot</b> |
|---------------------------|---------------------------------|---------------------------|--------------------------------------------------------------|
| 2009                      | 16,173,000                      | 95.5%                     | \$ 55.00                                                     |
| 2008                      | 16,108,000                      | 96.7%                     | 53.08                                                        |
| 2007                      | 15,994,000                      | 97.6%                     | 49.34                                                        |
| 2006                      | 13,692,000                      | 97.5%                     | 46.33                                                        |
| 2005                      | 12,972,000                      | 96.0%                     | 43.67                                                        |

***2009 New York Office Properties rental revenue by tenants industry:***

| <b>Industry</b>     | <b>Percentage</b> |
|---------------------|-------------------|
| Retail              | 15%               |
| Finance             | 14%               |
| Legal Services      | 9%                |
| Banking             | 7%                |
| Insurance           | 5%                |
| Communications      | 5%                |
| Technology          | 5%                |
| Publishing          | 4%                |
| Government          | 4%                |
| Pharmaceuticals     | 4%                |
| Real Estate         | 4%                |
| Advertising         | 3%                |
| Not-for-Profit      | 3%                |
| Engineering         | 2%                |
| Service Contractors | 1%                |

|                 |      |
|-----------------|------|
| Health Services | 1%   |
| Other           | 14%  |
|                 | 100% |

New York Office Properties lease terms generally range from five to seven years for smaller tenants to as long as 15 years for major tenants, and may provide for extension options at market rates. Leases typically provide for periodic step ups in rent over the term of the lease and pass through to tenants their share of increases in real estate taxes and operating expenses over a base year. Electricity is provided to tenants on a sub-metered basis or included in rent based on surveys and adjusted for subsequent utility rate increases. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

**New York Office Properties continued*****Tenants accounting for 2% or more of 2009 New York Office Properties total revenues:***

| <b>Tenant</b>                                                | <b>Square Feet<br/>Leased</b> | <b>2009<br/>Revenues</b> | <b>Percentage of<br/>New York Office<br/>Properties<br/>Revenues</b> | <b>Percentage<br/>of Total<br/>Company<br/>Revenues</b> |
|--------------------------------------------------------------|-------------------------------|--------------------------|----------------------------------------------------------------------|---------------------------------------------------------|
| Macy's, Inc.                                                 | 537,000                       | \$ 26,669,000            | 2.5%                                                                 | 1.0%                                                    |
| Madison Square Garden L.P. /<br>Rainbow Media Holdings, Inc. | 473,000                       | 23,984,000               | 2.2%                                                                 | 0.9%                                                    |
| McGraw-Hill Companies, Inc.                                  | 480,000                       | 22,558,000               | 2.1%                                                                 | 0.8%                                                    |
| Limited Brands                                               | 368,000                       | 21,454,000               | 2.0%                                                                 | 0.8%                                                    |

***2009 New York Office Properties Leasing Activity:***

| <b>Location</b>                  | <b>Square<br/>Feet</b> | <b>Average Initial<br/>Rent Per<br/>Square Foot (1)</b> |
|----------------------------------|------------------------|---------------------------------------------------------|
| 909 Third Avenue                 | 279,000                | \$ 48.96                                                |
| 595 Madison Avenue               | 170,000                | 65.10                                                   |
| One Penn Plaza                   | 161,000                | 52.53                                                   |
| 770 Broadway                     | 156,000                | 45.77                                                   |
| Two Penn Plaza                   | 139,000                | 44.72                                                   |
| 1290 Avenue of the Americas      | 104,000                | 57.63                                                   |
| 866 United Nations Plaza         | 87,000                 | 54.93                                                   |
| 57 <sup>th</sup> Street          | 75,000                 | 46.16                                                   |
| 100 West 33 <sup>rd</sup> Street | 61,000                 | 41.41                                                   |
| Eleven Penn Plaza                | 61,000                 | 45.00                                                   |
| 350 Park Avenue                  | 56,000                 | 70.07                                                   |
| 150 East 58 <sup>th</sup> Street | 45,000                 | 53.57                                                   |
| 90 Park Avenue                   | 34,000                 | 55.99                                                   |
| 888 Seventh Avenue               | 29,000                 | 65.58                                                   |
| 330 Madison Avenue               | 24,000                 | 57.86                                                   |
| 40 Fulton Street                 | 20,000                 | 34.78                                                   |
| 689 Fifth Avenue                 | 2,000                  | 67.05                                                   |

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|                              |           |       |
|------------------------------|-----------|-------|
| Total                        | 1,503,000 | 52.17 |
| Vornado's Ownership Interest | 1,417,000 | 52.13 |

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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.

In addition to the office space noted above, during 2009 we leased 43,000 square feet of retail space contained in office buildings at an average initial rent of \$188.09, a 55.7% increase over the prior escalated rent per square foot.

**New York Office Properties continued**

*Lease expirations as of December 31, 2009 assuming none of the tenants exercise renewal options:*

| Office Space:                                       |                                 |                                      | Percentage of<br>New York<br>Office<br>Properties<br>Square Feet | Annual Escalated<br>Rent of Expiring Leases |                 |
|-----------------------------------------------------|---------------------------------|--------------------------------------|------------------------------------------------------------------|---------------------------------------------|-----------------|
| Year                                                | Number of<br>Expiring<br>Leases | Square Feet of<br>Expiring<br>Leases |                                                                  | Total                                       | Per Square Foot |
| Office Space:                                       |                                 |                                      |                                                                  |                                             |                 |
| Month to month                                      | 75                              | 180,000                              | 1.1%                                                             | \$ 10,268,000                               | \$ 57.04        |
| 2010                                                | 106                             | 760,000                              | 4.7%                                                             | 39,825,000                                  | 52.40           |
| 2011                                                | 83                              | 861,000                              | 5.4%                                                             | 51,249,000                                  | 59.52           |
| 2012                                                | 96                              | 1,727,000                            | 10.8%                                                            | 87,787,000                                  | 50.83           |
| 2013                                                | 59                              | 868,000                              | (1) 5.4%                                                         | 42,998,000                                  | 49.54           |
| 2014                                                | 78                              | 733,000                              | 4.6%                                                             | 41,404,000                                  | 56.49           |
| 2015                                                | 83                              | 2,135,000                            | 13.3%                                                            | 117,262,000                                 | 54.92           |
| 2016                                                | 46                              | 930,000                              | 5.8%                                                             | 48,270,000                                  | 51.90           |
| 2017                                                | 33                              | 836,000                              | 5.2%                                                             | 47,265,000                                  | 56.54           |
| 2018                                                | 30                              | 760,000                              | 4.7%                                                             | 49,322,000                                  | 64.90           |
| 2019                                                | 26                              | 577,000                              | 3.6%                                                             | 33,082,000                                  | 57.33           |
| Retail Space:<br>(contained in office<br>buildings) |                                 |                                      |                                                                  |                                             |                 |
| Month to month                                      | 2                               | 3,000                                |                                                                  | \$ 444,000                                  | \$ 148.00       |
| 2010                                                | 12                              | 31,000                               | 0.2%                                                             | 1,827,000                                   | 60.90           |
| 2011                                                | 5                               | 37,000                               | 0.2%                                                             | 1,981,000                                   | 53.54           |
| 2012                                                | 6                               | 21,000                               | 0.1%                                                             | 3,938,000                                   | 187.52          |
| 2013                                                | 17                              | 51,000                               | 0.3%                                                             | 8,130,000                                   | 159.41          |
| 2014                                                | 10                              | 86,000                               | 0.5%                                                             | 18,252,000                                  | 212.23          |
| 2015                                                | 8                               | 32,000                               | 0.2%                                                             | 7,098,000                                   | 221.81          |
| 2016                                                | 4                               | 319,000                              | 2.0%                                                             | 17,204,000                                  | 53.93           |
| 2017                                                | 2                               | 22,000                               | 0.1%                                                             | 2,137,000                                   | 97.14           |
| 2018                                                | 8                               | 115,000                              | 0.7%                                                             | 12,199,000                                  | 106.08          |
| 2019                                                | 5                               | 33,000                               | 0.2%                                                             | 7,672,000                                   | 232.48          |

(1) Excludes 492,000 square feet at 909 Third Avenue leased to the U.S. Post Office through 2038 (including five 5-year renewal options) for which the annual escalated rent is \$11.03 per square foot.



**Washington, DC Office Properties**

As of December 31, 2009, we own 84 properties aggregating 18.6 million square feet in the Washington, DC / Northern Virginia area including 76 office buildings, 7 residential properties, a hotel property and 20.8 acres of undeveloped land. In addition, the Washington, DC Office Properties segment includes 51 garages totaling approximately 9.1 million square feet (29,000 spaces) which are managed by or leased to third parties. The garage space is excluded from the statistics provided in this section.

As of December 31, 2009, 33% percent of the space in our Washington, DC Office Properties segment was leased to various agencies of the U.S. Government.

*Occupancy and average annual escalated rent per square foot:*

| <b>As of December 31,</b> | <b>Rentable<br/>Square Feet</b> | <b>Occupancy<br/>Rate</b> | <b>Average Annual<br/>Escalated Rent<br/>per Square Foot</b> |
|---------------------------|---------------------------------|---------------------------|--------------------------------------------------------------|
| 2009                      | 18,560,000                      | 94.9%                     | \$ 39.01                                                     |
| 2008                      | 17,666,000                      | 95.0%                     | 37.70                                                        |
| 2007                      | 17,483,000                      | 93.3%                     | 35.15                                                        |
| 2006                      | 17,456,000                      | 92.6%                     | 32.36                                                        |
| 2005                      | 17,112,000                      | 90.9%                     | 31.68                                                        |

*2009 Washington, DC Office Properties rental revenue by tenants industry:*

| <b>Industry</b>              | <b>Percentage</b> |
|------------------------------|-------------------|
| U.S. Government              | 34%               |
| Government Contractors       | 23%               |
| Legal Services               | 10%               |
| Membership Organizations     | 7%                |
| Manufacturing                | 3%                |
| Real Estate                  | 3%                |
| Computer and Data Processing | 3%                |
| Business Services            | 3%                |

|                      |      |
|----------------------|------|
| Communication        | 1%   |
| Television Services  | 1%   |
| Health Services      | 1%   |
| Education            | 1%   |
| Radio and Television | 1%   |
| Other                | 9%   |
|                      | 100% |

Washington, DC Office Properties lease terms generally range from five to seven years, and may provide for extension options at either pre-negotiated or market rates. Leases typically provide for periodic step-ups in rent over the term of the lease and pass through to tenants, the tenants' share of increases in real estate taxes and certain property operating expenses over a base year. Periodic step-ups in rent are usually based upon either fixed percentage increases or the consumer price index. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

**Washington, DC Office Properties continued**

*Tenants accounting for 2% or more of Washington, DC Office Properties total revenues:*

| <b>Tenant</b>                       | <b>Square Feet<br/>Leased</b> | <b>2009<br/>Revenues</b> | <b>Percentage of<br/>Washington, DC<br/>Office Properties<br/>Revenues</b> | <b>Percentage<br/>of Total<br/>Company<br/>Revenues</b> |
|-------------------------------------|-------------------------------|--------------------------|----------------------------------------------------------------------------|---------------------------------------------------------|
| U.S. Government                     | 5,870,000                     | \$ 182,874,000           | 26.5%                                                                      | 6.7%                                                    |
| Howrey LLP                          | 327,000                       | 21,807,000               | 3.2%                                                                       | 0.8%                                                    |
| Academy for Educational Development | 367,000                       | 15,256,000               | 2.2%                                                                       | 0.6%                                                    |
| Boeing                              | 387,000                       | 15,158,000               | 2.2%                                                                       | 0.6%                                                    |
| SAIC, Inc.                          | 449,000                       | 15,126,000               | 2.2%                                                                       | 0.6%                                                    |
| Greenberg Traurig LLP               | 115,000                       | 13,514,000               | 2.0%                                                                       | 0.5%                                                    |

*2009 Washington, DC Office Properties Leasing Activity:*

| <b>Location</b>                                                                           | <b>Square Feet</b> | <b>Average Initial Rent<br/>Per Square Foot (1)</b> |
|-------------------------------------------------------------------------------------------|--------------------|-----------------------------------------------------|
| S. Clark Street / 12 <sup>th</sup> Street                                                 | 866,000            | \$ 40.89                                            |
| Skyline Place / One Skyline Tower                                                         | 519,000            | 36.27                                               |
| 2011-2451 Crystal Drive                                                                   | 467,000            | 41.82                                               |
| 1800, 1851 and 1901 South Bell Street                                                     | 390,000            | 42.41                                               |
| 1550-1750 Crystal Drive / 241-251 18 <sup>th</sup> Street                                 | 353,000            | 41.90                                               |
| 2001 Jefferson Davis Highway and<br>223 23 <sup>rd</sup> Street / 2221 South Clark Street | 203,000            | 38.46                                               |
| 2200 / 2300 Clarendon Blvd (Courthouse Plaza)                                             | 71,000             | 39.15                                               |
| 1730 M Street, NW                                                                         | 45,000             | 42.45                                               |
| Commerce Executive                                                                        | 40,000             | 28.74                                               |
| Reston Executive                                                                          | 35,000             | 29.64                                               |
| Partially Owned Entities                                                                  | 35,000             | 36.40                                               |
| 1227 25 <sup>th</sup> Street, NW                                                          | 32,000             | 53.87                                               |
| Democracy Plaza One                                                                       | 30,000             | 35.74                                               |
| 1150 17 <sup>th</sup> Street, NW                                                          | 21,000             | 43.69                                               |
| 1726 M Street, NW                                                                         | 15,000             | 40.52                                               |
| 1101 17 <sup>th</sup> Street, NW                                                          | 9,000              | 44.67                                               |

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|                                                        |           |       |
|--------------------------------------------------------|-----------|-------|
| Universal Buildings (1825-1875 Connecticut Avenue, NW) | 8,000     | 42.38 |
| 2101 L Street, NW                                      | 6,000     | 50.00 |
| 1750 Pennsylvania Avenue, NW                           | 4,000     | 48.75 |
| Warner Building 1299 Pennsylvania Avenue, NW           | 4,000     | 64.87 |
| 1140 Connecticut Avenue, NW                            | 3,000     | 39.00 |
| 1999 K Street, NW (sold in 2009)                       | 2,000     | 76.50 |
|                                                        | 3,158,000 | 40.26 |

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

**Washington, DC Office Properties** continued

*Lease expirations as of December 31, 2009 assuming none of the tenants exercise renewal options:*

| <b>Year</b><br>Month to | <b>Number of<br/>Expiring<br/>Leases</b> | <b>Square Feet<br/>of<br/>Expiring<br/>Leases</b> | <b>Percentage of<br/>Washington,<br/>DC<br/>Office<br/>Properties<br/>Square Feet</b> | <b>Annual Escalated<br/>Rent of Expiring Leases</b> |                        |
|-------------------------|------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------|------------------------|
|                         |                                          |                                                   |                                                                                       | <b>Total</b>                                        | <b>Per Square Foot</b> |
|                         | 76                                       | 258,000                                           | 1.7%                                                                                  | \$ 7,387,000                                        | \$ 28.61               |
| 2010                    | 301                                      | 2,012,000                                         | 13.6%                                                                                 | 74,643,000                                          | 37.11                  |
| 2011                    | 287                                      | 2,033,000                                         | 13.8%                                                                                 | 73,957,000                                          | 36.38                  |
| 2012                    | 225                                      | 2,591,000                                         | 17.6%                                                                                 | 96,717,000                                          | 37.32                  |
| 2013                    | 135                                      | 1,011,000                                         | 6.9%                                                                                  | 39,558,000                                          | 39.12                  |
| 2014                    | 116                                      | 1,039,000                                         | 7.0%                                                                                  | 36,713,000                                          | 35.33                  |
| 2015                    | 87                                       | 1,184,000                                         | 8.0%                                                                                  | 44,342,000                                          | 37.44                  |
| 2016                    | 34                                       | 825,000                                           | 5.6%                                                                                  | 32,124,000                                          | 38.94                  |
| 2017                    | 35                                       | 342,000                                           | 2.3%                                                                                  | 12,505,000                                          | 36.58                  |
| 2018                    | 44                                       | 987,000                                           | 6.7%                                                                                  | 47,038,000                                          | 47.66                  |
| 2019                    | 40                                       | 1,046,000                                         | 7.1%                                                                                  | 40,708,000                                          | 38.92                  |

## RETAIL PROPERTIES

As of December 31, 2009, we own 162 retail properties, of which 132 are strip shopping centers located primarily in the Northeast, Mid-Atlantic and California; 7 are regional malls located in New York, New Jersey, Virginia and San Juan, Puerto Rico; and 23 are retail properties located in Manhattan ( *Manhattan Street Retail* ). Our strip shopping centers and malls are generally located on major highways in mature, densely populated areas, and therefore attract consumers from a regional, rather than a neighborhood market place.

### *Strip Shopping Centers*

Our strip shopping centers contain an aggregate of 16.1 million square feet and are substantially (over 80%) leased to large stores (over 20,000 square feet). Tenants include destination retailers such as discount department stores, supermarkets, home improvement stores, discount apparel stores and membership warehouse clubs. Tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price and location.

### *Regional Malls*

The Green Acres Mall in Valley Stream, Long Island, New York contains 1.8 million square feet, and is anchored by Macy's, Sears, Wal-Mart, J.C. Penney, Best Buy and a BJ's Wholesale Club.

The Monmouth Mall in Eatontown, New Jersey, in which we own a 50% interest, contains 1.5 million square feet and is anchored by Macy's, Lord & Taylor and J.C. Penney, two of which own their stores aggregating 457,000 square feet.

The Springfield Mall in Springfield, Virginia, contains 1.4 million square feet and is anchored by Macy's, J.C. Penney and Target who own their stores aggregating 390,000 square feet. We continue to evaluate plans to renovate and reposition the mall; given current economic conditions, that may require us to renegotiate the terms of the existing debt and, accordingly, we have requested that the debt be placed with the special servicer.

The Bergen Town Center in Paramus, New Jersey contains 950,000 square feet and is anchored by Century 21, Whole Foods and Target under leases aggregating 416,000 square feet. We are currently developing 250,000 square feet of retail space adjacent to the mall which will be anchored by Lowe's Home Improvement. This development is expected to be completed in 2010.

The Broadway Mall in Hicksville, Long Island, New York contains 1.1 million square feet and is anchored by Macy's, Ikea, Multiplex Cinema and Target, which owns its store containing 141,000 square feet.

The Montehiedra Mall in San Juan, Puerto Rico contains 540,000 square feet and is anchored by Home Depot, Kmart, and Marshalls.

The Las Catalinas Mall in San Juan, Puerto Rico, contains 495,000 square feet and is anchored by Kmart and Sears, which owns its 139,000 square foot store.

#### *Manhattan Street Retail*

Manhattan Street Retail is comprised of 23 properties containing 1,048,000 square feet. These properties include (i) properties in the Penn Plaza district, such as the Manhattan Mall which contains 242,000 square feet, anchored by JC Penney; (ii) 4 Union Square which contains 203,000 square feet, anchored by Whole Foods Market, Filenes Basement and DSW; (iii) 1540 Broadway in Times Square which contains 161,000 square feet, anchored by Forever 21 and Disney, which will open their flagship stores in 2010, and Planet Hollywood; and (iv) properties on Madison Avenue and in So-Ho occupied by retailers including H&M, Top Shop, Madewell, the GAP, Gucci, Chloe and Cartier. In addition, we own 817,000 square feet of retail space in certain of our New York office buildings, which is part of our New York Office Properties segment.

## RETAIL PROPERTIES CONTINUED

*Occupancy and average annual net rent per square foot:*

As of December 31, 2009, the aggregate occupancy rate for the entire Retail Properties segment of 22.6 million square feet was 91.6%. Details of our ownership interest in the strip shopping centers, regional malls and Manhattan Street retail for the past five years are provided below.

### Strip Shopping Centers:

| As of December 31, | Rentable<br>Square Feet | Occupancy<br>Rate | Average Annual<br>Net Rent per<br>Square Foot |       |
|--------------------|-------------------------|-------------------|-----------------------------------------------|-------|
| 2009               | 16,107,000              | 91.5%             | \$                                            | 15.30 |
| 2008               | 15,755,000              | 91.9%             |                                               | 14.52 |
| 2007               | 15,463,000              | 94.1%             |                                               | 14.12 |
| 2006               | 12,933,000              | 92.9%             |                                               | 13.48 |
| 2005               | 10,750,000              | 95.5%             |                                               | 12.07 |

### Regional Malls:

| As of December 31, | Rentable<br>Square Feet | Occupancy<br>Rate | Average Annual Net Rent<br>Per Square Foot |                            |
|--------------------|-------------------------|-------------------|--------------------------------------------|----------------------------|
|                    |                         |                   | Mall Tenants                               | Mall and Anchor<br>Tenants |
| 2009               | 5,439,000               | 91.1%             | \$ 39.56                                   | \$ 20.67                   |
| 2008               | 5,232,000               | 93.0%             | 37.59                                      | 20.38                      |
| 2007               | 5,528,000               | 96.1%             | 34.94                                      | 19.11                      |
| 2006               | 5,640,000               | 93.4%             | 32.64                                      | 18.12                      |
| 2005               | 4,817,000               | 96.2%             | 31.83                                      | 18.24                      |

**For the years ending December 31, 2009 and 2008, mall sales per square foot, including partially owned malls, were \$457.00 and \$487.00, respectively.**

### **Manhattan Street Retail:**

| <b>As of December 31,</b> | <b>Rentable<br/>Square Feet</b> | <b>Occupancy<br/>Rate</b> | <b>Average Annual<br/>Net Rent per<br/>Square Foot</b> |
|---------------------------|---------------------------------|---------------------------|--------------------------------------------------------|
| 2009                      | 1,007,000                       | 95.3%                     | \$ 96.37                                               |
| 2008                      | 874,000                         | 90.4%                     | 97.18                                                  |
| 2007                      | 943,000                         | 86.8%                     | 89.86                                                  |
| 2006                      | 691,000                         | 83.6%                     | 83.53                                                  |
| 2005                      | 602,000                         | 90.9%                     | 81.94                                                  |

**RETAIL PROPERTIES CONTINUED**

*2009 Retail Properties rental revenue by type of retailer:*

| <b>Industry</b>                     | <b>Percentage</b> |
|-------------------------------------|-------------------|
| Discount Stores                     | 13%               |
| Women's Apparel                     | 11%               |
| Family Apparel                      | 10%               |
| Supermarkets                        | 9%                |
| Home Entertainment and Electronics  | 7%                |
| Restaurants                         | 6%                |
| Home Improvement                    | 6%                |
| Banking and Other Business Services | 5%                |
| Department Stores                   | 5%                |
| Personal Services                   | 3%                |
| Home Furnishings                    | 3%                |
| Membership Warehouse Clubs          | 2%                |
| Jewelry                             | 2%                |
| Other                               | 18%               |
|                                     | 100%              |

Retail Properties lease terms generally range from five years or less in some instances for smaller tenants to as long as 25 years for major tenants. Leases generally provide for reimbursements of real estate taxes, insurance and common area maintenance charges (including roof and structure in strip shopping centers, unless it is the tenant's direct responsibility), and percentage rents based on tenant sales volume. Percentage rents accounted for less than 1% of the Retail Properties total revenues during 2009.

*Tenants accounting for 2% or more of 2009 Retail Properties total revenues:*

| <b>Tenant</b>                             | <b>Square Feet<br/>Leased</b> | <b>2009<br/>Revenues</b> | <b>Percentage of<br/>Retail Properties<br/>Revenues</b> | <b>Percentage of<br/>Total Company<br/>Revenues</b> |
|-------------------------------------------|-------------------------------|--------------------------|---------------------------------------------------------|-----------------------------------------------------|
| The Home Depot, Inc                       | 990,000                       | \$ 18,184,000            | 3.3%                                                    | 0.7%                                                |
| Best Buy Co, Inc.                         | 619,000                       | 16,982,000               | 3.1%                                                    | 0.6%                                                |
| Wal-Mart/Sam's Wholesale                  | 1,674,000                     | 16,643,000               | 3.0%                                                    | 0.6%                                                |
| Stop & Shop Companies, Inc. (Stop & Shop) | 729,000                       | 14,055,000               | 2.5%                                                    | 0.5%                                                |

|                                              |           |            |      |      |
|----------------------------------------------|-----------|------------|------|------|
| Sears Holdings Corporation (Sears and Kmart) | 1,017,000 | 12,172,000 | 2.2% | 0.4% |
|----------------------------------------------|-----------|------------|------|------|

**RETAIL PROPERTIES CONTINUED**

*Lease expirations as of December 31, 2009 assuming none of the tenants exercise renewal options:*

| <b>Year</b>                     | <b>Number of<br/>Expiring<br/>Leases</b> | <b>Square Feet<br/>of<br/>Expiring<br/>Leases</b> | <b>Percentage of<br/>Retail<br/>Properties<br/>Square Feet</b> | <b>Annual Net Rent<br/>of Expiring Leases<br/>Total</b> | <b>Per Square Foot</b> |
|---------------------------------|------------------------------------------|---------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------|------------------------|
| <b>Strip Shopping Centers:</b>  |                                          |                                                   |                                                                |                                                         |                        |
| Month to month                  | 17                                       | 46,000                                            | 0.2%                                                           | \$ 962,000                                              | \$ 20.79               |
| 2010                            | 52                                       | 490,000                                           | 2.4%                                                           | 7,484,000                                               | 15.26                  |
| 2011                            | 71                                       | 949,000                                           | 4.7%                                                           | 10,145,000                                              | 10.69                  |
| 2012                            | 65                                       | 872,000                                           | 4.3%                                                           | 12,194,000                                              | 13.98                  |
| 2013                            | 113                                      | 1,980,000                                         | 9.7%                                                           | 24,466,000                                              | 12.35                  |
| 2014                            | 104                                      | 1,191,000                                         | 5.8%                                                           | 19,413,000                                              | 16.30                  |
| 2015                            | 45                                       | 598,000                                           | 2.9%                                                           | 10,583,000                                              | 17.70                  |
| 2016                            | 41                                       | 688,000                                           | 3.4%                                                           | 10,475,000                                              | 15.22                  |
| 2017                            | 32                                       | 323,000                                           | 1.6%                                                           | 4,562,000                                               | 14.11                  |
| 2018                            | 54                                       | 932,000                                           | 4.6%                                                           | 14,173,000                                              | 15.21                  |
| 2019                            | 44                                       | 930,000                                           | 4.6%                                                           | 16,807,000                                              | 18.07                  |
| <b>Malls:</b>                   |                                          |                                                   |                                                                |                                                         |                        |
| Month to month                  | 51                                       | 110,000                                           | 0.5%                                                           | \$ 3,693,000                                            | \$ 33.50               |
| 2010                            | 89                                       | 262,000                                           | 1.3%                                                           | 7,459,000                                               | 28.43                  |
| 2011                            | 61                                       | 251,000                                           | 1.2%                                                           | 7,619,000                                               | 30.29                  |
| 2012                            | 47                                       | 216,000                                           | 1.1%                                                           | 5,486,000                                               | 25.40                  |
| 2013                            | 72                                       | 272,000                                           | 1.3%                                                           | 8,223,000                                               | 30.28                  |
| 2014                            | 48                                       | 343,000                                           | 1.7%                                                           | 6,412,000                                               | 18.70                  |
| 2015                            | 53                                       | 267,000                                           | 1.3%                                                           | 6,900,000                                               | 25.86                  |
| 2016                            | 43                                       | 388,000                                           | 1.9%                                                           | 4,844,000                                               | 12.47                  |
| 2017                            | 43                                       | 467,000                                           | 2.3%                                                           | 7,760,000                                               | 16.61                  |
| 2018                            | 45                                       | 114,000                                           | 0.6%                                                           | 5,145,000                                               | 44.97                  |
| 2019                            | 45                                       | 182,000                                           | 0.9%                                                           | 6,532,000                                               | 35.94                  |
| <b>Manhattan Street Retail:</b> |                                          |                                                   |                                                                |                                                         |                        |
| Month to month                  | 3                                        | 4,000                                             |                                                                | \$ 154,000                                              | \$ 34.83               |
| 2010                            | 2                                        | 7,000                                             |                                                                | 1,210,000                                               | 177.26                 |
| 2011                            | 9                                        | 96,000                                            | 0.5%                                                           | 6,247,000                                               | 65.06                  |
| 2012                            | 8                                        | 36,000                                            | 0.2%                                                           | 2,028,000                                               | 55.91                  |
| 2013                            | 4                                        | 23,000                                            | 0.1%                                                           | 2,993,000                                               | 129.24                 |
| 2014                            | 7                                        | 30,000                                            | 0.1%                                                           | 4,049,000                                               | 136.37                 |
| 2015                            | 6                                        | 23,000                                            | 0.1%                                                           | 2,439,000                                               | 107.27                 |
| 2016                            | 8                                        | 20,000                                            | 0.1%                                                           | 4,044,000                                               | 206.03                 |
| 2017                            | 6                                        | 17,000                                            | 0.1%                                                           | 2,539,000                                               | 152.43                 |
| 2018                            | 16                                       | 128,000                                           | 0.6%                                                           | 20,963,000                                              | 164.00                 |
| 2019                            | 10                                       | 58,000                                            | 0.3%                                                           | 8,259,000                                               | 142.85                 |



**RETAIL PROPERTIES CONTINUED***2009 Retail Properties Leasing Activity:*

| <b>Location</b>                                           | <b>Square Feet</b> | <b>Average Initial Rent<br/>Per Square Foot (1)</b> |
|-----------------------------------------------------------|--------------------|-----------------------------------------------------|
| Bergen Town Center, Paramus, NJ                           | 222,000            | \$ 25.01                                            |
| Green Acres Mall, Valley Stream, NY                       | 190,000            | 15.46                                               |
| Poughkeepsie, NY                                          | 130,000            | 4.35                                                |
| Albany (Menands), NY                                      | 104,000            | 9.00                                                |
| Tampa, FL                                                 | 45,000             | 19.80                                               |
| San Francisco (275 Sacramento Street), CA                 | 43,000             | 42.50                                               |
| Wilkes-Barre, PA                                          | 40,000             | 6.53                                                |
| East Hanover I and II, NJ                                 | 35,000             | 21.42                                               |
| Baltimore (Towson), MD                                    | 33,000             | 16.45                                               |
| Bricktown, NJ                                             | 28,000             | 14.06                                               |
| Huntington, NY                                            | 25,000             | 16.23                                               |
| Las Catalinas, Puerto Rico                                | 19,000             | 49.56                                               |
| 155 Spring Street, New York, NY                           | 17,000             | 40.01                                               |
| Springfield Mall, Springfield, VA                         | 16,000             | 47.66                                               |
| North Plainfield, NJ                                      | 13,000             | 9.58                                                |
| Inwood, NY                                                | 12,000             | 29.79                                               |
| York, PA                                                  | 12,000             | 9.20                                                |
| Bethlehem, PA                                             | 11,000             | 3.00                                                |
| Totowa, NJ                                                | 11,000             | 34.00                                               |
| Buffalo (Amherst), NY                                     | 10,000             | 12.25                                               |
| North Bergen (Tonnelles Ave), NJ                          | 9,000              | 44.86                                               |
| Cherry Hill, NJ                                           | 8,000              | 22.60                                               |
| Hackensack, NJ                                            | 8,000              | 30.55                                               |
| Broadway Mall, Hicksville, NY                             | 7,000              | 63.09                                               |
| Glenolden, PA                                             | 7,000              | 21.50                                               |
| Bronx (Bruckner Boulevard), NY                            | 6,000              | 24.17                                               |
| Monmouth Mall, Eatontown, NJ                              | 6,000              | 43.64                                               |
| Rockville, MD                                             | 6,000              | 28.50                                               |
| San Francisco (The Cannery) (2801 Leavenworth Street), CA | 6,000              | 25.00                                               |
| 148 Spring Street, New York, NY                           | 5,000              | 42.16                                               |
| Springfield, MA                                           | 5,000              | 23.39                                               |
| Union (Route 22 and Morris Avenue ), NJ                   | 5,000              | 29.00                                               |
| Other                                                     | 45,000             | 115.66                                              |
|                                                           | 1,139,000          | 23.28                                               |

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

## MERCHANDISE MART PROPERTIES

As of December 31, 2009, we own 8 Merchandise Mart Properties containing an aggregate of 8.9 million square feet. The Merchandise Mart Properties segment also contains 7 garages totaling 1.0 million square feet (3,312 spaces). The garage space is excluded from the statistics provided in this section.

*Square feet by location and use as of December 31, 2009:*

| (Amounts in thousands)            | Showroom |        |       |           | Temporary<br>Trade Show | Retail |
|-----------------------------------|----------|--------|-------|-----------|-------------------------|--------|
|                                   | Total    | Office | Total | Permanent |                         |        |
| Chicago, Illinois:                |          |        |       |           |                         |        |
| Merchandise Mart                  | 3,494    | 1,040  | 2,387 | 1,805     | 582                     | 67     |
| 350 West Mart Center              | 1,223    | 1,135  | 88    | 88        |                         |        |
| Other                             | 10       |        |       |           |                         | 10     |
| Total Chicago, Illinois           | 4,727    | 2,175  | 2,475 | 1,893     | 582                     | 77     |
| High Point, North Carolina:       |          |        |       |           |                         |        |
| Market Square Complex             | 1,751    | 32     | 1,691 | 1,227     | 464                     | 28     |
| National Furniture Mart           | 260      |        | 260   | 260       |                         |        |
| Total High Point, North Carolina  | 2,011    | 32     | 1,951 | 1,487     | 464                     | 28     |
| Los Angeles, California:          |          |        |       |           |                         |        |
| L.A. Mart                         | 781      | 32     | 740   | 686       | 54                      | 9      |
| Boston, Massachusetts:            |          |        |       |           |                         |        |
| Boston Design Center              | 553      | 124    | 424   | 424       |                         | 5      |
| New York, New York:               |          |        |       |           |                         |        |
| 7 West 34 <sup>th</sup> Street    | 419      | 15     | 404   | 362       | 42                      |        |
| Washington, DC:                   |          |        |       |           |                         |        |
| Washington Design Center          | 393      | 86     | 307   | 307       |                         |        |
| Total Merchandise Mart Properties | 8,884    | 2,464  | 6,301 | 5,159     | 1,142                   | 119    |
| Occupancy rate                    | 88.5%    | 88.9%  | 88.4% |           |                         | 87.0%  |

**MERCHANDISE MART PROPERTIES      CONTINUED***Office Space**Occupancy and average annual escalated rent per square foot:*

| <b>As of<br/>December 31,</b> | <b>Rentable<br/>Square Feet</b> | <b>Occupancy Rate</b> | <b>Average Annual<br/>Escalated Rent<br/>Per Square Foot</b> |
|-------------------------------|---------------------------------|-----------------------|--------------------------------------------------------------|
| 2009                          | 2,464,000                       | 88.9%                 | \$ 23.52                                                     |
| 2008                          | 2,424,000                       | 96.5%                 | 25.18                                                        |
| 2007                          | 2,358,000                       | 96.7%                 | 24.99                                                        |
| 2006                          | 2,316,000                       | 97.2%                 | 23.82                                                        |
| 2005                          | 2,703,000                       | 96.7%                 | 25.05                                                        |

*2009 Merchandise Mart Properties office rental revenues by tenants' industry:*

| <b>Industry</b>    | <b>Percentage</b> |
|--------------------|-------------------|
| Service            | 31%               |
| Telecommunications | 13%               |
| Education          | 13%               |
| Banking            | 9%                |
| Government         | 7%                |
| Publications       | 7%                |
| Insurance          | 6%                |
| Other              | 14%               |
|                    | 100%              |

Office lease terms generally range from three to seven years for smaller tenants to as long as 15 years for major tenants. Leases typically provide for periodic step-ups in rent over the term of the lease and pass through to tenants their share of increases in real estate taxes and operating expenses over a base year. Electricity is provided to tenants

on a sub-metered basis or included in rent and adjusted for subsequent utility rate increases. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction of its premises.

*Office tenants accounting for 2% or more of Merchandise Mart Properties' 2009 total revenues:*

| <b>Tenant</b>      | <b>Square Feet<br/>Leased</b> | <b>2009<br/>Revenues</b> | <b>Percentage of<br/>Merchandise<br/>Mart Properties<br/>Revenues</b> | <b>Percentage<br/>of Total<br/>Company<br/>Revenues</b> |
|--------------------|-------------------------------|--------------------------|-----------------------------------------------------------------------|---------------------------------------------------------|
| Ogilvy Group (WPP) | 270,000                       | \$ 7,961,000             | 3.0%                                                                  | 0.3%                                                    |

**MERCHANDISE MART PROPERTIES CONTINUED**

2009 leasing activity Merchandise Mart Properties office space:

|                          | <b>Square Feet</b> | <b>Average Initial<br/>Rent Per<br/>Square Foot (1)</b> |
|--------------------------|--------------------|---------------------------------------------------------|
| 350 West Mart Center     | 146,000            | \$ 33.68                                                |
| Merchandise Mart         | 42,000             | 34.58                                                   |
| Washington Design Center | 15,000             | 45.66                                                   |
| Total                    | 203,000            | 34.76                                                   |

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

Lease expirations for Merchandise Mart Properties office space as of December 31, 2009 assuming none of the tenants exercise renewal options:

| <b>Year</b> | <b>Number of<br/>Expiring<br/>Leases</b> | <b>Square Feet<br/>of<br/>Expiring<br/>Leases</b> | <b>Percentage of<br/>Merchandise Mart<br/>Properties Office<br/>Square Feet</b> | <b>Annual Escalated<br/>Rent of Expiring Leases</b> | <b>Per Square<br/>Foot</b> |
|-------------|------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------|----------------------------|
| 2010        | 7                                        | 33,000                                            | 1.6%                                                                            | \$ 843,000                                          | \$ 25.70                   |
| 2011        | 17                                       | 77,000                                            | 3.8%                                                                            | 2,048,000                                           | 26.51                      |
| 2012        | 8                                        | 105,000                                           | 5.2%                                                                            | 2,984,000                                           | 28.46                      |
| 2013        | 19                                       | 84,000                                            | 4.2%                                                                            | 2,514,000                                           | 29.77                      |
| 2014        | 5                                        | 106,000                                           | 5.2%                                                                            | 3,055,000                                           | 28.79                      |
| 2015        | 9                                        | 235,000                                           | 11.6%                                                                           | 6,614,000                                           | 28.12                      |
| 2016        | 5                                        | 118,000                                           | 5.8%                                                                            | 3,086,000                                           | 26.16                      |
| 2017        | 5                                        | 86,000                                            | 4.2%                                                                            | 1,705,000                                           | 19.85                      |

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|      |    |         |       |           |       |
|------|----|---------|-------|-----------|-------|
| 2018 | 10 | 287,000 | 14.1% | 8,350,000 | 29.06 |
| 2019 | 4  | 8,000   | 0.4%  | 326,000   | 39.71 |

## MERCHANDISE MART PROPERTIES CONTINUED

### Showroom Space

The showrooms provide manufacturers and wholesalers with permanent and temporary space in which to display products for buyers, specifiers and end users. The showrooms are also used for hosting trade shows for the contract furniture, casual furniture, gift, carpet, crafts, apparel and design industries. Merchandise Mart Properties own and operate five of the leading furniture and gift trade shows, including the contract furniture industry's largest trade show, NeoCon, which attracts over 50,000 attendees each June and is hosted at the Merchandise Mart building in Chicago. The Market Square Complex is co-host to the home furniture industry's semi-annual (April and October) market weeks which occupy over 1.2 million square feet in the High Point, North Carolina region.

*Occupancy and average escalated rent per square foot:*

| As of<br>December 31, | Rentable<br>Square Feet | Occupancy Rate | Average Annual<br>Escalated Rent<br>Per Square Foot |
|-----------------------|-------------------------|----------------|-----------------------------------------------------|
| 2009                  | 6,301,000               | 88.4%          | \$ 27.17                                            |
| 2008                  | 6,332,000               | 92.2%          | 26.72                                               |
| 2007                  | 6,139,000               | 93.7%          | 26.16                                               |
| 2006                  | 6,370,000               | 93.6%          | 25.17                                               |
| 2005                  | 6,290,000               | 94.7%          | 24.04                                               |

*2009 Merchandise Mart Properties showroom rental revenues by tenants' industry:*

| Industry               | Percentage |
|------------------------|------------|
| Residential Design     | 31%        |
| Gift                   | 20%        |
| Contract Furnishing    | 17%        |
| Residential Furnishing | 15%        |
| Casual Furniture       | 6%         |
| Apparel                | 5%         |
| Building Products      | 4%         |
| Art                    | 2%         |
|                        | 100%       |

*2009 Leasing Activity Merchandise Mart Properties showroom space:*

**Square Feet**

|                                |           | <b>Average Initial<br/>Rent Per<br/>Square Foot (1)</b> |       |
|--------------------------------|-----------|---------------------------------------------------------|-------|
| Market Square Complex          | 484,000   | \$                                                      | 12.83 |
| Merchandise Mart               | 299,000   |                                                         | 40.78 |
| L.A. Mart                      | 149,000   |                                                         | 19.84 |
| 7 West 34 <sup>th</sup> Street | 108,000   |                                                         | 43.98 |
| Washington Design Center       | 89,000    |                                                         | 47.23 |
| Boston Design Center           | 89,000    |                                                         | 36.76 |
| 350 West Mart Center           | 20,000    |                                                         | 28.01 |
| Total                          | 1,238,000 |                                                         | 27.58 |

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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.

## MERCHANDISE MART PROPERTIES CONTINUED

*Lease expirations for the Merchandise Mart Properties showroom space as of December 31, 2009 assuming none of the tenants exercise renewal options:*

| Year     | Number of<br>Expiring<br>Leases | Square Feet<br>of<br>Expiring<br>Leases | Percentage of<br>Merchandise Mart<br>Properties<br>Showroom |  | Annual Escalated<br>Rent of Expiring Leases |    | Per Square<br>Foot |
|----------|---------------------------------|-----------------------------------------|-------------------------------------------------------------|--|---------------------------------------------|----|--------------------|
|          |                                 |                                         | Square Feet                                                 |  | Total                                       |    |                    |
| Month to | 35                              | 80,000                                  | 1.8%                                                        |  | \$ 2,091,000                                | \$ | 26.14              |
| 2010     | 180                             | 555,000                                 | 12.7%                                                       |  | 15,477,000                                  |    | 27.89              |
| 2011     | 154                             | 577,000                                 | 13.2%                                                       |  | 16,685,000                                  |    | 28.93              |
| 2012     | 143                             | 610,000                                 | 14.0%                                                       |  | 16,180,000                                  |    | 26.53              |
| 2013     | 128                             | 631,000                                 | 14.4%                                                       |  | 18,507,000                                  |    | 29.33              |
| 2014     | 119                             | 543,000                                 | 12.4%                                                       |  | 15,469,000                                  |    | 28.49              |
| 2015     | 61                              | 363,000                                 | 8.3%                                                        |  | 10,493,000                                  |    | 28.93              |
| 2016     | 37                              | 197,000                                 | 4.5%                                                        |  | 6,537,000                                   |    | 33.13              |
| 2017     | 45                              | 407,000                                 | 9.3%                                                        |  | 13,736,000                                  |    | 33.73              |
| 2018     | 34                              | 212,000                                 | 4.9%                                                        |  | 7,705,000                                   |    | 36.32              |
| 2019     | 17                              | 89,000                                  | 2.0%                                                        |  | 3,224,000                                   |    | 36.04              |

### Retail Space

The Merchandise Mart Properties segment also contains approximately 119,000 square feet of retail space, which was 87.0% occupied at December 31, 2009.

**TOYS R US, INC. ( TOYS )**

As of December 31, 2009 we own a 32.7% interest in Toys, a worldwide specialty retailer of toys and baby products, which has a significant real estate component. Toys had \$5.9 billion of outstanding debt at October 31, 2009, of which our pro rata share was \$1.9 billion, none of which is recourse to us.

The following table sets forth the total number of stores operated by Toys as of December 31, 2009:

|                   | <b>Total</b> | <b>Owned</b> | <b>Building<br/>Owned on<br/>Leased<br/>Ground</b> | <b>Leased</b> |
|-------------------|--------------|--------------|----------------------------------------------------|---------------|
| Domestic          | 851          | 300          | 231                                                | 320           |
| International     | 514          | 79           | 26                                                 | 409           |
| Subtotal          | 1,365        | 379          | 257                                                | 729           |
| Franchised stores | 202          |              |                                                    |               |
| Total             | 1,567        |              |                                                    |               |

## OTHER INVESTMENTS

### 555 California Street Complex

As of December 31, 2009, we own a 70% controlling interest in a three-building complex containing 1.8 million square feet, known as The Bank of America Center, located at California and Montgomery Streets in San Francisco's financial district ( 555 California Street ), which we acquired in 2007.

*Occupancy and average annual rent per square foot as of December 31, 2009:*

| <b>As of<br/>December 31,</b> | <b>Rentable<br/>Square Feet</b> | <b>Occupancy Rate</b> | <b>Average Annual<br/>Escalated Rent<br/>Per Square Foot</b> |
|-------------------------------|---------------------------------|-----------------------|--------------------------------------------------------------|
| 2009                          | 1,794,000                       | 94.8%                 | \$ 57.25                                                     |
| 2008                          | 1,789,000                       | 94.0%                 | 57.98                                                        |
| 2007                          | 1,789,000                       | 95.0%                 | 59.84                                                        |

*2009 rental revenue by tenants' industry:*

| <b>Industry</b> | <b>Percentage</b> |
|-----------------|-------------------|
| Finance         | 39%               |
| Banking         | 42%               |
| Legal Services  | 11%               |
| Retail          | 1%                |
| Others          | 7%                |
|                 | 100%              |

Lease terms generally range from five to seven years for smaller tenants to as long as 15 years for major tenants, and may provide for extension options at market rates. Leases typically provide for periodic step ups in rent over the term of the lease and pass through to tenants their share of increases in real estate taxes and operating expenses over a base year. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

*Tenants accounting for 2% or more of total revenues:*

| <b>Tenant</b>                  | <b>Square Feet Leased</b> | <b>2009 Revenues</b> | <b>Percentage of 555 California Street Complex's Revenues</b> | <b>Percentage of Total Company Revenues</b> |   |
|--------------------------------|---------------------------|----------------------|---------------------------------------------------------------|---------------------------------------------|---|
| Bank of America                | 659,000                   | 37,712,000           | 36.2%                                                         | 1.4                                         | % |
| UBS Financial Services         | 134,000                   | 8,410,000            | 8.1%                                                          | 0.3                                         | % |
| Goldman, Sachs & Co.           | 97,000                    | 6,446,000            | 6.2%                                                          | 0.2                                         | % |
| Morgan Stanley & Company, Inc. | 89,000                    | 6,417,000            | 6.2%                                                          | 0.2                                         | % |
| Kirkland & Ellis LLP           | 125,000                   | 5,837,000            | 5.6%                                                          | 0.2                                         | % |
| McKinsey & Company Inc.        | 54,000                    | 4,256,000            | 4.1%                                                          | 0.2                                         | % |
| Dodge & Cox                    | 62,000                    | 3,898,000            | 3.7%                                                          | 0.1                                         | % |

*2009 leasing activity:*

During 2009 we leased 100,000 square feet at a weighted average rent initial rent of \$52.82 per square foot.

## OTHER INVESTMENTS    CONTINUED

### Alexander's, Inc. ( Alexander's )

As of December 31, 2009, we own 32.4% of the outstanding common stock of Alexander's, which has seven properties in the greater New York metropolitan area. Alexander's had \$1.3 billion of outstanding debt at December 31, 2009, of which our pro rata share was \$414 million, none of which is recourse to us.

### Hotel Pennsylvania

We own the Hotel Pennsylvania which is located in New York City on Seventh Avenue opposite Madison Square Garden and consists of a hotel portion containing 1,000,000 square feet of hotel space with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space.

|                             | <b>Year Ended December 31,</b> |             |             |             |             |
|-----------------------------|--------------------------------|-------------|-------------|-------------|-------------|
|                             | <b>2009</b>                    | <b>2008</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> |
| Rental information:         |                                |             |             |             |             |
| Hotel:                      |                                |             |             |             |             |
| Average occupancy rate      | 71.5%                          | 84.1%       | 84.4%       | 82.1%       | 83.7%       |
| Average daily rate          | \$ 133.20                      | \$ 171.32   | \$ 154.78   | \$ 133.33   | \$ 115.74   |
| Revenue per available room  | \$ 95.18                       | \$ 144.01   | \$ 130.70   | \$ 109.53   | \$ 96.85    |
| Commercial:                 |                                |             |             |             |             |
| Office space:               |                                |             |             |             |             |
| Average occupancy rate      | 30.4%                          | 30.4%       | 57.0%       | 41.2%       | 38.7%       |
| Annual rent per square foot | \$ 20.54                       | \$ 18.78    | \$ 22.23    | \$ 16.42    | \$ 10.70    |
| Retail space:               |                                |             |             |             |             |
| Average occupancy rate      | 70.7%                          | 69.5%       | 73.3%       | 79.9%       | 79.8%       |
| Annual rent per square foot | \$ 35.05                       | \$ 41.75    | \$ 33.63    | \$ 27.54    | \$ 26.02    |

### Lexington Realty Trust ( Lexington )

As of December 31, 2009, we own 15.2% of the outstanding common shares of Lexington, which has interests in 259 properties, encompassing approximately 45.9 million square feet across 43 states, generally net-leased to major corporations. Lexington had approximately \$2.1 billion of outstanding debt at of December 31, 2009, of which our pro rata share was \$342 million, none of which is recourse to us.

## Warehouse/Industrial Properties

As of December 31, 2009, we own 6 warehouse/industrial properties in New Jersey containing approximately 1.2 million square feet. Average lease terms range from three to five years. The following table sets forth the occupancy rate and average annual rent per square foot at the end of each of the past five years.

| As of December 31, | Occupancy Rate | Average Annual Rent |      |
|--------------------|----------------|---------------------|------|
|                    |                | Per Square Foot     |      |
| 2009               | 69.4%          | \$                  | 5.40 |
| 2008               | 100.0%         |                     | 4.70 |
| 2007               | 100.0%         |                     | 4.70 |
| 2006               | 96.9%          |                     | 4.17 |
| 2005               | 100.0%         |                     | 4.19 |

**Item 3. Legal Proceedings**

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

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ( USDC-NJ ) claiming that we had no right to reallocate and therefore continue to collect the \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the \$5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze our right to reallocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York State Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York State Supreme Court. On February 14, 2005, we served an answer in which we asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court's decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court's decision. On January 16, 2007, we filed a motion for the reconsideration of one aspect of the Appellate Court's decision which was denied on March 13, 2007. Discovery is now complete. On October 19, 2009, Stop & Shop filed a motion for leave to amend its pleadings to assert new claims for relief, including a claim for damages in an unspecified amount, and an additional affirmative defense. The motion was argued and submitted for decision on December 18, 2009. The course of future proceedings will depend upon the outcome of Stop & Shop's motion, but we anticipate that a trial date will be set for some time in 2010. We intend to vigorously pursue our claims against Stop & Shop. In our opinion, after consultation with legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flows.

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas and the 555 California Street complex. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above relating to a dispute over the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions issued in 2006, 2007 and 2009, the New York State Supreme Court dismissed all of Mr. Trump's claims, and those decisions were affirmed by the Appellate Division. Mr. Trump cannot further appeal those decisions.

In July 2005, we acquired H Street Building Corporation ( H Street ) which has a subsidiary that owns, among other things, a 50% tenancy in common interest in land located in Arlington County, Virginia, known as "Pentagon Row,"

leased to two tenants. In April 2007, H Street acquired the remaining 50% interest in that fee. In April 2007, we received letters from those tenants, Street Retail, Inc. and Post Apartment Homes, L.P., claiming they had a right of first offer triggered by each of those transactions. On September 25, 2008, both tenants filed suit against us and the former owners. The claim alleges the right to purchase the fee interest, damages in excess of \$75,000,000 and punitive damages. We believe this claim is without merit and regardless of merit, in our opinion, after consultation with legal counsel, this claim will not have a material effect on our financial condition, results of operations or cash flows.

**Item 4. Submission of Matters to a Vote of Security Holders**

No matters were submitted to a vote of security holders during the fourth quarter of 2009.

**EXECUTIVE OFFICERS OF THE REGISTRANT**

The following is a list of the names, ages, principal occupations and positions with Vornado of the executive officers of Vornado and the positions held by such officers during the past five years. All executive officers of Vornado have terms of office that run until the next succeeding meeting of the Board of Trustees of Vornado following the Annual Meeting of Shareholders unless they are removed sooner by the Board.

| <b>Name</b>           | <b>Age</b> | <b>Principal Occupation, Position and Office<br/>(Current and during past five years with Vornado unless otherwise stated)</b>                                                                                                                                                                                                                        |
|-----------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Steven Roth           | 68         | Chairman of the Board; Chief Executive Officer from May 1989 to May 2009; Managing General Partner of Interstate Properties, an owner of shopping centers and an investor in securities and partnerships; Chief Executive Officer of Alexander's, Inc. since March 1995, a Director since 1989, and Chairman since May 2004.                          |
| Michael D. Fascitelli | 53         | Chief Executive Officer since May 2009; President and a Trustee since December 1996; President of Alexander's Inc. since August 2000 and Director since December 1996; Partner at Goldman, Sachs & Co. in charge of its real estate practice from December 1992 to December 1996; and Vice President at Goldman, Sachs & Co., prior to December 1992. |
| Michelle Felman       | 47         | Executive Vice President Acquisitions since September 2000; Independent Consultant to Vornado from October 1997 to September 2000; Managing Director Global Acquisitions and Business Development of GE Capital from 1991 to July 1997.                                                                                                               |
| David R. Greenbaum    | 58         | President of the New York City Office Division since April 1997 (date of our acquisition); President of Mendik Realty (the predecessor to the New York Office division) from 1990 until April 1997.                                                                                                                                                   |
| Christopher Kennedy   | 46         | President of the Merchandise Mart Division since September 2000; Executive Vice President of the Merchandise Mart Division from April 1998 to September 2000; Executive Vice President of Merchandise Mart Properties, Inc. from 1994 to April 1998.                                                                                                  |
| Joseph Macnow         | 64         |                                                                                                                                                                                                                                                                                                                                                       |

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Executive Vice President Finance and Administration since January 1998 and Chief Financial Officer since March 2001; Vice President and Chief Financial Officer of the Company from 1985 to January 1998; Executive Vice President and Chief Financial Officer of Alexander's, Inc. since August 1995.

|                    |    |                                                                                                                                                                                    |
|--------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sandeep Mathrani   | 47 | Executive Vice President Retail Real Estate since March 2002; Executive Vice President, Forest City Ratner from 1994 to February 2002.                                             |
| Mitchell N. Schear | 51 | President of Vornado/Charles E. Smith L.P. (our Washington, DC Office division) since April 2003; President of the Kaempfer Company from 1998 to April 2003 (date acquired by us). |
| Wendy Silverstein  | 49 | Executive Vice President Capital Markets since April 1998; Senior Credit Officer of Citicorp Real Estate and Citibank, N.A. from 1986 to 1998.                                     |

## PART II

### Item 5. Market for Registrant's Common Equity, Related STOCKholder Matters and issuer purchases of equity securities

Vornado's common shares are traded on the New York Stock Exchange under the symbol VNO.

Quarterly closing price ranges of the common shares and dividends paid per share for the years ended December 31, 2009 and 2008 were as follows:

| Quarter | Year Ended<br>December 31, 2009 |          |           | Year Ended<br>December 31, 2008 |          |           |
|---------|---------------------------------|----------|-----------|---------------------------------|----------|-----------|
|         | High                            | Low      | Dividends | High                            | Low      | Dividends |
| 1st     | \$ 62.33                        | \$ 27.01 | \$ 0.95   | \$ 94.54                        | \$ 76.64 | \$ 0.90   |
| 2nd     | 54.00                           | 32.00    | 0.95      | 99.70                           | 85.94    | 0.90      |
| 3rd     | 70.23                           | 39.65    | 0.65      | 108.15                          | 83.00    | 0.90      |
| 4th     | 73.96                           | 56.54    | 0.65      | 90.65                           | 36.66    | 0.95      |

During 2009 dividends were paid in a combination of cash and Vornado common shares; first and second quarter dividends were paid 40% in cash and 60% in shares and third and fourth quarter dividends were paid 60% in cash and 40% in shares. During 2008 dividends were paid all in cash. Effective with the first quarter dividend in 2010, we have returned to an all cash dividend policy.

On February 1, 2010, there were 1,450 holders of record of our common shares.

*Recent Sales of Unregistered Securities*

During the fourth quarter of 2009, we issued 35,719 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.

Information relating to compensation plans under which our equity securities are authorized for issuance is set forth under Part III, Item 12 of this Annual Report on Form 10-K and such information is incorporated by reference herein.

*Recent Purchases of Equity Securities*

We did not repurchase any of our equity securities during the fourth quarter of 2009, other than 1,123,174 common shares used by officers and employees of the Company to pay for the exercise price and related withholding taxes resulting from stock option exercises.

## *Performance Graph*

The following graph is a comparison of the five-year cumulative return of our common shares, the Standard & Poor's 500 Index (the "S&P 500 Index") and the National Association of Real Estate Investment Trusts ("NAREIT") All Equity Index (excluding health care real estate investment trusts), a peer group index. The graph assumes that \$100 was invested on December 31, 2004 in our common shares, the S&P 500 Index and the NAREIT All Equity Index and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our shares will continue in line with the same or similar trends depicted in the graph below.

|                      | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Vornado Realty Trust | 100         | 115         | 174         | 130         | 93          | 115         |

|                             |     |     |     |     |    |     |
|-----------------------------|-----|-----|-----|-----|----|-----|
| S&P 500 Index               | 100 | 105 | 121 | 128 | 81 | 102 |
| The NAREIT All Equity Index | 100 | 112 | 151 | 128 | 80 | 102 |

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**Item 6. Selected Financial Data**

| (in thousands, except per share amounts)                                                               | <b>Year Ended December 31,</b> |              |              |              |              |
|--------------------------------------------------------------------------------------------------------|--------------------------------|--------------|--------------|--------------|--------------|
|                                                                                                        | <b>2009</b>                    | <b>2008</b>  | <b>2007</b>  | <b>2006</b>  | <b>2005</b>  |
| <b>Operating Data:</b>                                                                                 |                                |              |              |              |              |
| Revenues:                                                                                              |                                |              |              |              |              |
| Property rentals                                                                                       | \$ 2,222,285                   | \$ 2,207,399 | \$ 1,972,230 | \$ 1,539,813 | \$ 1,356,727 |
| Tenant expense reimbursements                                                                          | 361,982                        | 357,986      | 323,075      | 260,447      | 206,386      |
| Fee and other income                                                                                   | 158,311                        | 127,301      | 109,938      | 103,587      | 94,603       |
| Total revenues                                                                                         | 2,742,578                      | 2,692,686    | 2,405,243    | 1,903,847    | 1,657,716    |
| Expenses:                                                                                              |                                |              |              |              |              |
| Operating                                                                                              | 1,087,785                      | 1,069,445    | 950,487      | 735,668      | 627,980      |
| Depreciation and amortization                                                                          | 539,503                        | 536,820      | 440,224      | 317,524      | 251,751      |
| General and administrative                                                                             | 231,688                        | 194,023      | 189,024      | 180,077      | 139,400      |
| Impairment and other losses                                                                            | 87,823                         | 81,447       | 10,375       |              |              |
| Total expenses                                                                                         | 1,946,799                      | 1,881,735    | 1,590,110    | 1,233,269    | 1,019,131    |
| Operating income                                                                                       | 795,779                        | 810,951      | 815,133      | 670,578      | 638,585      |
| Income (loss) applicable to Alexander's                                                                | 53,529                         | 36,671       | 50,589       | (14,530)     | 59,022       |
| Income (loss) applicable to Toys 'R Us                                                                 | 92,300                         | 2,380        | (14,337)     | (47,520)     | (40,496)     |
| (Loss) income from partially owned entities                                                            | (73,439 )                      | (195,878)    | 31,891       | 60,355       | 34,917       |
| Interest and other investment (loss) income, net                                                       | (116,330 )                     | (2,682)      | 226,425      | 255,391      | 164,941      |
| Interest and debt expense                                                                              | (634,283 )                     | (635,724)    | (599,804)    | (399,580)    | (284,876)    |
| Net (loss) gain on early extinguishment of debt                                                        | (25,915 )                      | 9,820        |              |              |              |
| Net gains on disposition of wholly owned and partially owned assets other than depreciable real estate | 5,641                          | 7,757        | 39,493       | 76,073       | 39,042       |
| Income before income taxes                                                                             | 97,282                         | 33,295       | 549,390      | 600,767      | 611,135      |
| Income tax (expense) benefit                                                                           | (20,737 )                      | 204,537      | (9,179)      | (491)        | (2,315)      |
| Income from continuing operations                                                                      | 76,545                         | 237,832      | 540,211      | 600,276      | 608,820      |
| Income from discontinued operations                                                                    | 51,905                         | 173,613      | 67,622       | 33,080       | 61,194       |
| Net income                                                                                             | 128,450                        | 411,445      | 607,833      | 633,356      | 670,014      |
| Net income attributable to noncontrolling interests, including unit distributions                      | (22,281 )                      | (52,148)     | (66,294)     | (78,574)     | (133,134)    |
| Net income attributable to Vornado                                                                     | 106,169                        | 359,297      | 541,539      | 554,782      | 536,880      |

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|                                                |           |            |            |            |            |
|------------------------------------------------|-----------|------------|------------|------------|------------|
| Preferred share dividends                      | (57,076 ) | (57,091)   | (57,177)   | (57,511)   | (46,501)   |
| Net income attributable to common shareholders | \$ 49,093 | \$ 302,206 | \$ 484,362 | \$ 497,271 | \$ 490,379 |
| Income from continuing operations - basic      | \$ 0.00   | \$ 0.94    | \$ 2.78    | \$ 3.26    | \$ 3.20    |
| Income from continuing operations - diluted    | 0.00      | 0.91       | 2.66       | 3.09       | 3.04       |
| Income per share basic                         | 0.28      | 1.96       | 3.18       | 3.49       | 3.66       |
| Income per share diluted                       | 0.28      | 1.91       | 3.05       | 3.31       | 3.48       |
| Dividends per common share                     | 3.20      | (1) 3.65   | 3.45       | 3.79       | 3.90       |

**Balance Sheet Data:**

|                          |               |               |               |               |               |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Total assets             | \$ 20,185,472 | \$ 21,418,048 | \$ 22,478,717 | \$ 17,954,384 | \$ 13,637,102 |
| Real estate, at cost     | 17,949,517    | 17,819,679    | 17,029,965    | 11,512,518    | 9,573,177     |
| Accumulated depreciation | (2,494,441 )  | (2,167,403)   | (1,809,048)   | (1,446,588)   | (1,208,004)   |
| Debt                     | 10,939,615    | 12,437,923    | 11,718,977    | 8,402,955     | 5,489,694     |
| Total equity             | 6,649,406     | 6,214,652     | 6,011,240     | 5,006,596     | 4,659,359     |

(1) Paid in combination of cash and Vornado common shares.

| (Amounts in thousands)                                                                                                    | Year Ended December 31, |            |            |            |            |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------|------------|------------|------------|------------|
|                                                                                                                           | 2009                    | 2008       | 2007       | 2006       | 2005       |
| <b>Other Data:</b>                                                                                                        |                         |            |            |            |            |
| Funds From Operations ( FFO ) (1):                                                                                        |                         |            |            |            |            |
| Net income attributable to Vornado                                                                                        | \$ 106,169              | \$ 359,297 | \$ 541,539 | \$ 554,782 | \$ 536,880 |
| Depreciation and amortization of real property                                                                            | 508,572                 | 509,367    | 451,313    | 337,730    | 276,921    |
| Net gains on sale of real estate                                                                                          | (45,282 )               | (57,523)   | (60,811)   | (33,769)   | (31,614)   |
| Proportionate share of adjustments to equity in net income of Toys to arrive at FFO:                                      |                         |            |            |            |            |
| Depreciation and amortization of real property                                                                            | 65,358                  | 66,435     | 85,244     | 60,445     | 12,192     |
| Net gains on sale of real estate                                                                                          | (164 )                  | (719)      | (3,012)    | (2,178)    |            |
| Income tax effect of above adjustments                                                                                    | (22,819 )               | (23,223)   | (28,781)   | (21,038)   | (4,613)    |
| 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                                                                            | 75,200                  | 49,513     | 48,770     | 45,184     | 29,860     |
| Net gains on sale of real estate                                                                                          | (1,188 )                | (8,759)    | (12,451)   | (10,988)   | (2,918)    |
| Noncontrolling interests share of above adjustments                                                                       | (45,344 )               | (49,683)   | (46,664)   | (39,809)   | (31,990)   |
| FFO                                                                                                                       | 640,502                 | 844,705    | 975,147    | 890,359    | 784,718    |
| Preferred share dividends                                                                                                 | (57,076 )               | (57,091)   | (57,177)   | (57,511)   | (46,501)   |
| FFO attributable to common shareholders                                                                                   | 583,426                 | 787,614    | 917,970    | 832,848    | 738,217    |
| Interest on 3.875% exchangeable senior debentures                                                                         |                         | 25,261     | 24,958     | 24,671     | 18,029     |
| Convertible preferred dividends                                                                                           | 170                     | 189        | 277        | 631        | 943        |
| FFO attributable to common shareholders plus assumed conversions (1)                                                      | \$ 583,596              | \$ 813,064 | \$ 943,205 | \$ 858,150 | \$ 757,189 |

(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 GAAP net income or loss adjusted to exclude net gains from sales of depreciated real estate assets and GAAP extraordinary items, and to include depreciation and amortization expense from real estate assets and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flows as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies.



**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

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## Overview

Vornado Realty Trust ( Vornado ) is a fully integrated real estate investment trust ( REIT ) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the Operating Partnership ). Vornado is the sole general partner of, and owned approximately 92.5% of the common limited partnership interest in, the Operating Partnership at December 31, 2009. All references to we, us, our, the Company and Vornado refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

We own and operate office, retail and showroom properties (our core operations) with large concentrations of office and retail properties in the New York City metropolitan area and in the Washington, DC / Northern Virginia areas. In addition, we have a 32.7% interest in Toys R Us, Inc. ( Toys ) which has a significant real estate component, a 32.4% interest in Alexander's, Inc., which has seven properties in the greater New York metropolitan area, as well as interests in other real estate and related investments.

On May 14, 2009, our Board of Trustees executed its long-planned management succession strategy and elected Michael D. Fascitelli, as our Chief Executive Officer, succeeding Steven Roth, who continues to serve as Chairman of the Board.

Our business objective is to maximize shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing our performance to that of the Morgan Stanley REIT Index ( RMS ) and the SNL REIT Index ( SNL ) for the following periods ending December 31, 2009 (past performance is not necessarily indicative of future performance):

|             | <b>Vornado</b> | <b>Total Return <sup>(1)</sup></b> |            |
|-------------|----------------|------------------------------------|------------|
|             |                | <b>RMS</b>                         | <b>SNL</b> |
| One-year    | 19.4%          | 28.6%                              | 28.9%      |
| Three-years | (36.3%)        | (33.6%)                            | (31.2%)    |
| Five-years  | 10.9%          | 1.1%                               | 4.6%       |
| Ten-years   | 253.9%         | 169.7%                             | 182.6%     |

(1) Past performance is not necessarily indicative of how we will perform in the future.

We intend to achieve our business objective by continuing to pursue our investment philosophy and executing our operating strategies through:

- Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit;

- Investing in properties in select markets, such as New York City and Washington, DC, where we believe there is high likelihood of capital appreciation;
- Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;
- Investing in retail properties in select under-stored locations such as the New York City metropolitan area;
- Investing in fully-integrated operating companies that have a significant real estate component; and
- Developing and redeveloping existing properties to increase returns and maximize value.

We expect to finance our growth, acquisitions and investments using internally generated funds, proceeds from possible asset sales and by accessing the public and private capital markets.

We may also determine to raise capital for future real estate acquisitions through an institutional investment fund. We would serve as the general partner of the fund and would also expect to be a limited partner of the fund and have the potential to earn certain incentives based on the fund's performance. The fund may serve as our exclusive investment vehicle for a limited period of time for all investments that fit within the fund's investment parameters. If we determine to raise capital through a fund, the partnership interests offered would not be registered under the Securities Act of 1933 and could not be offered or sold in the United States absent registration under that act or an applicable exemption from those registration requirements.

## Overview - continued

We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, attractiveness of location, the quality of the property and the breadth and the quality of services provided. Our success depends upon, among other factors, trends of the national, regional and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends. See **Risk Factors** in Item 1A for additional information regarding these factors.

The economic recession and illiquidity and volatility in the financial and capital markets have negatively affected substantially all businesses, including ours. Demand for office and retail space has declined nationwide due to bankruptcies, downsizing, layoffs and cost cutting. Real estate transactions and development opportunities have significantly curtailed and capitalization rates have risen. These trends have negatively impacted our 2008 and 2009 financial results, which include losses associated with abandoned development projects, valuation allowances on investments in mezzanine loans and impairments on other real estate investments. The details of these non-cash charges are described below. Impairment losses and valuation allowances are based on our estimates of the amounts we may ultimately realize upon disposition. The estimation process is inherently uncertain and is based upon, among other factors, our expectations of future events, and accordingly, actual amounts received on these investments could differ materially from our estimates. It is not possible for us to quantify the impact of the above trends, which may continue in 2010 and beyond, on our future financial results.

## Overview - continued

### Year Ended December 31, 2009 Financial Results Summary

Net income attributable to common shareholders for the year ended December 31, 2009 was \$49,093,000, or \$0.28 per diluted share, versus \$302,206,000, or \$1.91 per diluted share, for the year ended December 31, 2008. Net income for the years ended December 31, 2009 and 2008 include \$46,634,000 and \$67,001,000, respectively, for our share of net gains on sale of real estate. In addition, net income for the years ended December 31, 2009 and 2008 include certain items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate and the items in the table below, net of amounts attributable to noncontrolling interests, decreased net income attributable to common shareholders for the year ended December 31, 2009 by \$241,550,000, or \$1.39 per diluted share, and increased net income attributable to common shareholders for the year ended December 31, 2008 by \$17,621,000, or \$0.11 per diluted share.

Funds from operations attributable to common shareholders plus assumed conversions ( FFO ) for the year ended December 31, 2009 was \$583,596,000, or \$3.36 per diluted share, compared to \$813,064,000, or \$4.97 per diluted share, for the prior year. FFO for the years ended December 31, 2009 and 2008 includes certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, decreased FFO for the years ended December 31, 2009 and 2008 by \$284,539,000, and \$36,216,000, or \$1.64 and \$0.22 per diluted share, respectively.

| (Amounts in thousands)                                                                | For the Year Ended |              |
|---------------------------------------------------------------------------------------|--------------------|--------------|
|                                                                                       | December 31,       |              |
|                                                                                       | 2009               | 2008         |
| <b>Items that affect comparability (income) expense:</b>                              |                    |              |
| Non-cash asset write-downs:                                                           |                    |              |
| Mezzanine loans loss accrual                                                          | \$ 190,738         | \$ (10,300 ) |
| Real estate development related                                                       | 80,834             | 76,793       |
| Partially owned entities                                                              | 36,941             | 203,919      |
| Marketable equity securities                                                          | 3,361              | 76,352       |
| Other real estate assets                                                              | 6,989              | 4,654        |
| Write-off of unamortized costs from the voluntary surrender of equity awards          | 32,588             |              |
| Net loss (gain) on early extinguishment of debt                                       | 25,915             | (9,820)      |
| Income from terminated sale of land                                                   | (27,089 )          |              |
| Our share of Toys:                                                                    |                    |              |
| Non-cash purchase accounting adjustments                                              | (13,946 )          | 14,900       |
| Litigation settlement income                                                          | (10,200 )          |              |
| Our share of Alexander's:                                                             |                    |              |
| Income tax benefit                                                                    | (13,668 )          |              |
| Stock appreciation rights                                                             | (11,105 )          | (6,583)      |
| Downtown Crossing, Boston lease termination payment                                   | 7,650              |              |
| Reversal of deferred taxes initially recorded in connection with H Street acquisition |                    | (222,174)    |
| Net gain on sale of our 47.6% interest in Americold Realty Trust                      |                    | (112,690)    |
| Net loss on mark-to-market of derivatives                                             |                    | 33,740       |
| Americold's FFO sold in March 2008                                                    |                    | (6,098 )     |

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|                                                     |            |           |
|-----------------------------------------------------|------------|-----------|
| Other, net                                          | 413        | (2,924)   |
|                                                     | 309,421    | 39,769    |
| Noncontrolling interests share of above adjustments | (24,882 )  | (3,553 )  |
| Items that affect comparability, net                | \$ 284,539 | \$ 36,216 |

The percentage increase (decrease) in GAAP basis and cash basis same-store Earnings Before Interest, Taxes, Depreciation and Amortization ( EBITDA ) of our operating segments for the year ended December 31, 2009 over the year ended December 31, 2008 is summarized below.

| <b>Year Ended:</b>                       | <b>New York<br/>Office</b> | <b>Washington, DC<br/>Office</b> | <b>Retail</b> | <b>Merchandise<br/>Mart</b> |
|------------------------------------------|----------------------------|----------------------------------|---------------|-----------------------------|
| December 31, 2009 vs. December 31, 2008: |                            |                                  |               |                             |
| GAAP basis                               | 0.8%                       | 6.7%                             | 3.7%          | (11.5%)                     |
| Cash basis                               | 5.5%                       | 5.6%                             | 3.8%          | (8.6%)                      |

**Overview - continued****Quarter Ended December 31, 2009 Financial Results Summary**

Net loss attributable to common shareholders for the quarter ended December 31, 2009 was \$151,192,000, or \$0.84 per diluted share, versus \$226,951,000, or \$1.47 per diluted share, for the quarter ended December 31, 2008. Net loss for the quarters ended December 31, 2009 and December 31, 2008 include \$2,632,000 and \$1,083,000, respectively, of net gains on sale of real estate. In addition, net loss for the quarters ended December 31, 2009 and December 31, 2008 include certain other items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate and the items in the table below, net of amounts attributable to noncontrolling interests, increased net loss attributable to common shareholders for the quarters ended December 31, 2009 and 2008 by \$184,330,000 and \$251,841,000, or \$1.03 and \$1.63 per diluted share, respectively.

FFO for the quarter ended December 31, 2009 was \$20,000, or \$0.00 per diluted share, compared to negative FFO of \$88,154,000, or \$0.57 per diluted share, for the prior year's quarter. FFO for the quarter ended December 31, 2009 and negative FFO for the quarter ended December 31, 2008 include certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, decreased FFO for the quarter ended December 31, 2009 by \$189,455,000, or \$1.04 per diluted share and increased negative FFO for the quarter ended December 31, 2008 by \$253,506,000, or \$1.64 per diluted share.

| (Amounts in thousands)                                                 | <b>For the Three Months<br/>Ended December 31,</b> |             |
|------------------------------------------------------------------------|----------------------------------------------------|-------------|
|                                                                        | <b>2009</b>                                        | <b>2008</b> |
| <b>Items that affect comparability (income) expense:</b>               |                                                    |             |
| Non-cash asset write-downs:                                            |                                                    |             |
| Real estate development related                                        | \$80,834                                           | \$ 71,793   |
| Mezzanine loans loss accrual                                           | 68,000                                             |             |
| Partially owned entities                                               | 17,820                                             | 162,544     |
| Marketable equity securities                                           | 3,361                                              | 55,471      |
| Other real estate assets                                               | 6,989                                              | 1,645       |
| Net loss (gain) on early extinguishment of debt                        | 52,911                                             | (9,820 )    |
| Income from terminated sale of land                                    | (27,089)                                           |             |
| Alexander's reversal of stock appreciation rights compensation expense |                                                    | (14,188)    |
| Derivative positions in marketable equity securities                   |                                                    | 7,928       |
| Other, net                                                             | 2,204                                              | 8,426       |
|                                                                        | 205,030                                            | 283,799     |
| Noncontrolling interests' share of above adjustments                   | (15,575 )                                          | (30,293 )   |
| Items that affect comparability, net                                   | \$ 189,455                                         | \$ 253,506  |

The percentage increase (decrease) in GAAP basis and cash basis same-store EBITDA of our operating segments for the quarter ended December 31, 2009 over the quarter ended December 31, 2008 and the trailing quarter ended September 30, 2009 are summarized below.

| <b>Quarter Ended:</b>                     | <b>New York<br/>Office</b> | <b>Washington, DC<br/>Office</b> | <b>Retail</b> | <b>Merchandise<br/>Mart</b> |
|-------------------------------------------|----------------------------|----------------------------------|---------------|-----------------------------|
| December 31, 2009 vs. December 31, 2008:  |                            |                                  |               |                             |
| GAAP basis                                | (2.0%)                     | 4.2%                             | 4.2%          | (11.6%)                     |
| Cash basis                                | 4.1%                       | 4.7%                             | 9.7%          | (14.6%)                     |
| December 31, 2009 vs. September 30, 2009: |                            |                                  |               |                             |
| GAAP basis                                | 2.1%                       | 0.0%                             | 4.4%          | 8.2%                        |
| Cash basis                                | 2.4%                       | 1.5%                             | 7.6%          | 0.7%                        |

Calculations of same-store EBITDA, reconciliations of net income to EBITDA and FFO and the reasons we consider these non-GAAP financial measures useful are provided in the following pages of Management's Discussion and Analysis of the Financial Condition and Results of Operations.

## Overview - continued

### Financings

In April 2009, we sold 17,250,000 common shares, including underwriters' over-allotment, in an underwritten public offering pursuant to an effective registration statement at an initial public offering price of \$43.00 per share. We received net proceeds of \$710,226,000, after underwriters' discount and offering expenses and contributed the net proceeds to the Operating Partnership in exchange for 17,250,000 Class A units of the Operating Partnership.

On September 30, 2009, we completed a public offering of \$460,000,000 principal amount of 7.875% callable senior unsecured 30-year notes (NYSE: VNOD) due October 1, 2039. The notes were sold to the public at par and may be redeemed at our option, in whole or in part, beginning in October 2014 at a price equal to the principal amount plus accrued and unpaid interest. These notes contain financial covenants, including limitations on outstanding debt and minimum interest and fixed charge coverage ratios. We received net proceeds of approximately \$446,000,000 from the offering which were used to repay debt and for general corporate purposes.

During 2009, we purchased \$1,912,724,000 (aggregate face amount) of our convertible senior debentures and \$352,740,000 (aggregate face amount) of our senior unsecured notes for \$1,877,510,000 and \$343,694,000 in cash, respectively. This debt was acquired through tender offers and in the open market and has been retired. We also repaid \$650,285,000 of existing property level debt and completed \$277,000,000 of property level financings. In connection with the above, we recognized an aggregate net loss of \$25,915,000 from the early extinguishment of debt on our consolidated statement of income.

### Dispositions

On September 1, 2009, we sold 1999 K Street, a newly developed 250,000 square foot office building, in Washington's Central Business District, for \$207,800,000 in cash, which resulted in a net gain of \$41,211,000, which is included as a component of income from discontinued operations, on our consolidated statement of income.

During 2009, we sold 15 retail properties in separate transactions for an aggregate of \$55,000,000 in cash, which resulted in net gains aggregating \$4,073,000, which is included as a component of income from discontinued operations, on our consolidated statement of income.

**Mezzanine Loans Receivable**

On June 1, 2009, we were repaid the entire \$41,758,000 balance of the Charles Square Hotel loan including accrued interest. This loan was scheduled to mature in September 2009.

On January 28, 2010, we were repaid the entire \$99,314,000 balance of the Equinox loan including accrued interest. This loan, which we acquired in 2006 for \$57,500,000, was scheduled to mature in February 2013.

## Overview continued

### Leasing Activity

The following table sets forth certain information for the properties we own directly or indirectly, including leasing activity. The leasing activity presented below is based on leases signed during the period and is not intended to coincide with the commencement of rental revenue recognition in accordance with accounting principles generally accepted in the United States of America ( GAAP ). Tenant improvements and leasing commissions are presented below based on square feet leased during the period, on a per square foot and per square foot per annum basis based on weighted average lease terms and as a percentage of initial rent per square foot.

|                                              | Washington,<br>New York DC |           |          |             |          |
|----------------------------------------------|----------------------------|-----------|----------|-------------|----------|
| (Square feet in thousands)                   | New York                   | DC        |          | Merchandise | Mart     |
| As of December 31, 2009:                     | Office                     | Office    | Retail   | Office      | Showroom |
| Square feet (in service)                     | 16,173                     | 18,560    | 22,553   | 2,464       | 6,301    |
| Number of properties                         | 28                         | 84        | 162      | 8           | 8        |
| Occupancy rate                               | 95.5%                      | 94.9%     | 91.6%    | 88.9%       | 88.4%    |
| <b>Leasing Activity:</b>                     |                            |           |          |             |          |
| <b>Year ended December 31, 2009:</b>         |                            |           |          |             |          |
| Square feet                                  | 1,417                      | (2) 3,158 | 1,139    | 203         | 1,238    |
| Initial rent per square foot <sup>(1)</sup>  | \$ 52.13                   | \$ 40.26  | \$ 23.28 | \$ 34.76    | \$ 27.58 |
| Weighted average lease terms (years)         | 8.7                        | 4.3       | 9.7      | 7.1         | 4.2      |
| Rent per square foot relet space:            |                            |           |          |             |          |
| Square feet                                  | 1,274                      | 2,853     | 472      | 203         | 1,238    |
| Initial rent cash basis <sup>(1)</sup>       | \$ 52.31                   | \$ 40.13  | \$ 17.99 | \$ 34.76    | \$ 27.58 |
| Prior escalated rent cash basis              | \$ 52.03                   | \$ 34.59  | \$ 16.67 | \$ 33.75    | \$ 28.90 |
| Percentage increase (decrease):              |                            |           |          |             |          |
| Cash basis                                   | 0.5%                       | 16.0%     | 7.9%     | 3.0%        | (4.6%)   |
| GAAP basis                                   | 5.0%                       | 18.8%     | 16.4%    | 18.0%       | 3.6%     |
| Rent per square foot vacant space:           |                            |           |          |             |          |
| Square feet                                  | 143                        | 305       | 667      |             |          |
| Initial rent <sup>(1)</sup>                  | \$ 50.53                   | \$ 41.45  | \$ 27.04 | \$          | \$       |
| Tenant improvements and leasing commissions: |                            |           |          |             |          |
| Per square foot                              | \$ 47.44                   | \$ 9.03   | \$ 8.00  | \$ 34.30    | \$ 3.15  |
| Per square foot per annum                    | \$ 5.45                    | \$ 2.10   | \$ 0.82  | \$ 4.83     | \$ 0.75  |
| Percentage of initial rent                   | 10.5%                      | 5.2%      | 3.5%     | 13.9%       | 2.7%     |
| <b>Quarter ended December 31, 2009:</b>      |                            |           |          |             |          |
| Square feet                                  | 493                        | 1,776     | 250      | 188         | 460      |
| Initial rent per square foot <sup>(1)</sup>  | \$ 51.83                   | \$ 40.74  | \$ 32.36 | \$ 33.88    | \$ 30.99 |
| Weighted average lease terms (years)         | 10.3                       | 3.8       | 7.1      | 7.5         | 4.7      |
| Rent per square foot relet space:            |                            |           |          |             |          |
| Square feet                                  | 475                        | 1,743     | 97       | 188         | 460      |
| Initial rent cash basis <sup>(1)</sup>       | \$ 51.95                   | \$ 40.78  | \$ 30.08 | \$ 33.88    | \$ 30.99 |

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|                                              |          |          |          |          |          |
|----------------------------------------------|----------|----------|----------|----------|----------|
| Prior escalated rent cash basis              | \$ 55.39 | \$ 33.41 | \$ 27.19 | \$ 33.34 | \$ 32.25 |
| Percentage increase (decrease):              |          |          |          |          |          |
| Cash basis                                   | (6.2% )  | 22.1%    | 10.6%    | 1.6%     | (3.9% )  |
| GAAP basis                                   | (2.6% )  | 23.8%    | 26.6%    | 17.0%    | 5.0%     |
| Rent per square foot vacant space:           |          |          |          |          |          |
| Square feet                                  | 18       | 33       | 153      |          |          |
| Initial rent <sup>(1)</sup>                  | \$ 48.63 | \$ 38.58 | \$ 33.81 | \$       | \$       |
| Tenant improvements and leasing commissions: |          |          |          |          |          |
| Per square foot                              | \$ 55.71 | \$ 5.07  | \$ 18.75 | \$ 32.65 | \$ 3.78  |
| Per square foot per annum                    | \$ 5.44  | \$ 1.33  | \$ 2.64  | \$ 4.35  | \$ 0.80  |
| Percentage of initial rent                   | 10.5%    | 3.3%     | 8.2%     | 12.8%    | 2.6%     |

See notes on following page

**Overview continued**

|                                                        | Washington,<br>New York DC |        |        | Merchandise Mart |          |
|--------------------------------------------------------|----------------------------|--------|--------|------------------|----------|
| (Square feet in thousands)<br>As of December 31, 2008: | Office                     | Office | Retail | Office           | Showroom |
| Square feet (in service)                               | 16,108                     | 17,666 | 21,861 | 2,424            | 6,332    |
| Number of properties                                   | 28                         | 84     | 176    | 8                | 8        |
| Occupancy rate                                         | 96.7%                      | 95.0%  | 92.0%  | 96.5%            | 92.2%    |

**Leasing Activity:****Year ended December 31, 2008:**

|                                              |           |          |           |          |          |
|----------------------------------------------|-----------|----------|-----------|----------|----------|
| Square feet                                  | 1,246     | 2,152    | 1,022     | 493      | 862      |
| Initial rent per square foot <sup>(1)</sup>  | \$ 71.69  | \$ 38.52 | \$ 38.34  | \$ 27.50 | \$ 28.07 |
| Weighted average lease term (years)          | 9.1       | 7.3      | 9.0       | 9.7      | 5.1      |
| Rent per square foot relet space:            |           |          |           |          |          |
| Square feet                                  | 1,141     | 1,320    | 559       | 427      | 839      |
| Initial rent cash basis <sup>(1)</sup>       | \$ 73.50  | \$ 36.04 | \$ 42.59  | \$ 28.02 | \$ 27.87 |
| Prior escalated rent cash basis              | \$ 48.69  | \$ 30.89 | \$ 28.46  | \$ 32.13 | \$ 28.33 |
| Percentage increase (decrease):              |           |          |           |          |          |
| Cash basis                                   | 51.0% (3) | 16.7%    | 49.6% (3) | (12.8%)  | (1.6%)   |
| GAAP basis                                   | 48.4% (3) | 17.7%    | 18.1% (3) | 4.3%     | 10.2%    |
| Rent per square foot vacant space:           |           |          |           |          |          |
| Square feet                                  | 105       | 832      | 463       | 66       | 23       |
| Initial rent <sup>(1)</sup>                  | \$ 52.10  | \$ 42.46 | \$ 33.19  | \$ 24.17 | \$ 36.51 |
| Tenant improvements and leasing commissions: |           |          |           |          |          |
| Per square foot                              | \$ 48.72  | \$ 15.75 | \$ 18.31  | \$ 37.23 | \$ 6.85  |
| Per square foot per annum                    | \$ 5.35   | \$ 2.16  | \$ 2.03   | \$ 3.84  | \$ 1.33  |
| Percentage of initial rent                   | 7.5%      | 5.6%     | 5.3%      | 14.0%    | 4.7%     |

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

(2) In addition, the New York Office segment leased 43 square feet of retail space during the year ended December 31, 2009 at an average initial rent of \$188.09, a 55.7% increase over the prior escalated rent per square foot.

(3) Under GAAP, acquired below-market leases are marked-to-market at the time of their acquisition. Accordingly, when the space is subsequently re-leased, the cash basis rent increase is greater than the GAAP basis rent increase.



## Overview continued

### *Impact of Retrospective Application of New Accounting Pronouncements*

During 2009, we paid quarterly dividends to our common shareholders in a combination of cash and stock and retrospectively adjusted weighted average common shares outstanding in the computations of income and FFO per share to include the additional common shares resulting from these dividends in the earliest periods presented in each of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009 and our Current Report on Form 8-K, issued on October 13, 2009, in which we elected to recast our consolidated financial statements in our Annual Report on Form 10-K/A (Amendment No. 1) for the year ended December 31, 2008. On December 2, 2009, the FASB ratified the consensus reached in EITF 09-E, *Accounting for Distribution to Shareholders with Components of Stock and Cash ( EITF 09-E )* as codified through Accounting Standards Update ( ASU ) 2010-1 to ASC 505, *Equity*. EITF 09-E requires an entity to include the additional common shares resulting from the stock portion of these distributions prospectively in the periods following their issuance in all computations of income per share rather than retrospectively as we had previously done. As a result, we have adjusted all of our computations of income and FFO per share presented herein to exclude the additional shares resulting from these dividends in periods prior to their issuance. Below is a reconciliation of previously reported income and FFO per share to the amounts presented herein.

|                                                                                    | <b>For the Year Ended December 31, 2008</b> |                  |                    |
|------------------------------------------------------------------------------------|---------------------------------------------|------------------|--------------------|
|                                                                                    | <b>As Reported</b>                          | <b>EITF 09-E</b> | <b>As Adjusted</b> |
| Income per common share basic:                                                     |                                             |                  |                    |
| Income from continuing operations                                                  | \$ 0.92                                     | \$ 0.02          | \$ 0.94            |
| Net income                                                                         | 1.89                                        | 0.07             | 1.96               |
| Income per common share diluted:                                                   |                                             |                  |                    |
| Income from continuing operations                                                  | 0.90                                        | 0.01             | 0.91               |
| Net income                                                                         | 1.84                                        | 0.07             | 1.91               |
| FFO attributable to common shareholders plus assumed conversions per diluted share | 4.80                                        | 0.17             | 4.97               |

|                                   | <b>For the Year Ended December 31, 2007</b> |                  |                    |
|-----------------------------------|---------------------------------------------|------------------|--------------------|
|                                   | <b>As Reported</b>                          | <b>EITF 09-E</b> | <b>As Adjusted</b> |
| Income per common share basic:    |                                             |                  |                    |
| Income from continuing operations | \$ 2.70                                     | \$ 0.08          | \$ 2.78            |
| Net income                        | 3.07                                        | 0.11             | 3.18               |
| Income per common share diluted:  |                                             |                  |                    |
| Income from continuing operations | 2.59                                        | 0.07             | 2.66               |
| Net income                        | 2.95                                        | 0.10             | 3.05               |



## Overview - continued

On January 1, 2009, we adopted the provisions of ASC 470-20, *Debt with Conversion and Other Options*, which was required to be applied retrospectively. The adoption affected the accounting for our convertible and exchangeable senior debentures by requiring the initial proceeds from their sale to be allocated between a debt component and an equity component in a manner that results in interest expense on the debt component at our nonconvertible debt borrowing rate on the date of issue. The initial debt components of our \$1.4 billion Convertible Senior Debentures, \$1 billion Convertible Senior Debentures and \$500 million Exchangeable Senior Debentures were \$1,241,286,000, \$926,361,000 and \$457,699,000, respectively, based on the fair value of similar nonconvertible instruments issued at that time. The aggregate initial debt discount of \$216,655,000 after original issuance costs allocated to the equity component was recorded in additional capital in our consolidated statement of changes in equity. The discount is amortized using the effective interest method over the period the debt is expected to remain outstanding (i.e., the earliest date the holders may require us to repurchase the debentures), which resulted in \$39,546,000 and \$30,418,000 of additional interest expense in the years ended December 31, 2008 and 2007, respectively.

In December 2007, the FASB issued an update to ASC 810, *Consolidation*, which requires a noncontrolling interest in a subsidiary to be reported as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest to be identified in the consolidated financial statements. It also calls for consistency in the manner of reporting changes in the parent's ownership interest and requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. The amended guidance became effective on January 1, 2009 and resulted in (i) the reclassification of minority interests in consolidated subsidiaries to noncontrolling interests in consolidated subsidiaries, a component of permanent equity on our consolidated balance sheets, (ii) the reclassification of minority interest expense to net income attributable to noncontrolling interests, on our consolidated statements of income, and (iii) additional disclosures, including a consolidated statement of changes in equity in quarterly reporting periods.

In December 2007, the FASB issued an update to ASC 805, *Business Combinations*, which applies to all transactions and other events in which one entity obtains control over one or more other businesses. It also broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations; and acquisition related costs will generally be expensed rather than included as part of the basis of the acquisition. The amended guidance also expands required disclosures to improve the ability to evaluate the nature and financial effects of business combinations. The amended guidance became effective for all transactions entered into on or after January 1, 2009. The adoption of this guidance on January 1, 2009 did not have any effect on our consolidated financial statements because there have been no acquisitions during 2009.

In March 2008, the FASB issued an update to ASC 815, *Derivatives and Hedging*, which requires enhanced disclosures related to derivative instruments and hedging activities, including disclosures regarding how an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and the impact of derivative instruments and related hedged items on an entity's financial position, financial performance and cash flows. It also provided a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock. The amended guidance became effective on January 1, 2009. The adoption of this guidance on January 1, 2009 did not have a material effect on our consolidated financial statements.

In June 2008, the FASB issued an update to ASC 260, *Earnings Per Share*, which requires companies to treat unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents as participating securities and include such securities in the computation of earnings per share pursuant to the two-class method as described in ASC 260. The amended guidance became effective on January 1, 2009 and required all prior period earnings per share data presented, to be adjusted retroactively. The adoption of this guidance on January 1, 2009 did not have a material effect on our computation of income per share.

In April 2009, the FASB issued an amendment to the guidance for other than temporary impairments ( OTTI ) of investments in debt securities, which changes the presentation of OTTI in financial statements. Under this guidance, if an OTTI debt security is intended to be sold or required to be sold prior to the recovery of its carrying amount, the full amount of the impairment loss is charged to earnings. Otherwise, losses on debt securities must be separated into two categories, the portion which is considered credit loss, which is charged to earnings, and the portion due to other factors, which is charged to other comprehensive income (loss), a component of balance sheet equity. When an unrealized loss on a fixed maturity security is not considered OTTI, the unrealized loss continues to be charged to other comprehensive income (loss) and not to earnings. The adoption of this guidance on April 1, 2009 did not have any effect on our consolidated financial statements.

In June 2009, the FASB issued an update to ASC 810, *Consolidation*, which modifies the existing quantitative guidance used in determining the primary beneficiary of a variable interest entity ( VIE ) by requiring entities to qualitatively assess whether an enterprise is a primary beneficiary, based on whether the entity has (i) power over the significant activities of the VIE, and (ii) an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The adoption of this guidance on January 1, 2010 did not have a material effect on our consolidated financial statements.

## Critical Accounting Policies

In preparing the consolidated financial statements we have 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 we believe are critical to the preparation of the consolidated financial statements. The summary should be read in conjunction with the more complete discussion of our accounting policies included in Note 2 to the consolidated financial statements in this Annual Report on Form 10-K.

### *Real Estate*

Real estate is carried at cost, net of accumulated depreciation and amortization. As of December 31, 2009 and 2008, the carrying amounts of real estate, net of accumulated depreciation, were \$15.455 billion and \$15.652 billion, respectively. Maintenance and repairs are expensed as incurred. Depreciation requires an estimate by management of the useful life of each property and improvement as well as an allocation of the costs associated with a property to its various components. If we do not allocate these costs appropriately or incorrectly estimate the useful lives of our real estate, depreciation expense may be misstated.

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, identified intangibles such as acquired above and below-market leases and acquired in-place leases and tenant relationships) and acquired liabilities and we allocate purchase price based on these assessments. We assess fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including historical operating results, known trends and market/economic conditions.

Our properties, including any related intangible assets, are individually reviewed for impairment each quarter, if events or circumstances change indicating that the carrying amount of the assets may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the aggregate projected future cash flows over the anticipated holding period on an undiscounted basis. An impairment loss is measured based on the excess of the property's carrying amount over its estimated fair value. Impairment analyses are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. If our estimates of the projected future cash flows, anticipated holding periods or market conditions change, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses.

### *Identified Intangibles*

As of December 31, 2009 and 2008, the carrying amounts of identified intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases), a component of other assets on our consolidated balance sheets, were \$442,510,000 and \$522,719,000, respectively. The carrying amounts of identified intangible liabilities, a component of deferred credit on our consolidated balance sheets, were \$633,492,000 and \$719,822,000, respectively. Identified intangibles are recorded at fair value on the acquisition date, separate and apart from goodwill. Identified intangibles that are determined to have finite lives are amortized over the period in which they are expected to contribute directly or indirectly to the future cash flows of the property or business acquired.

Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of an intangible asset, including related real estate, if appropriate, is not recoverable and the carrying amount exceeds the estimated fair value. If intangible assets are impaired or estimated useful lives change, the impact to our consolidated financial statements could be material.

**Critical Accounting Policies continued***Mezzanine Loans Receivable*

We invest in mezzanine loans to entities that have significant real estate assets. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. We record investments in mezzanine loans at the stated principal amount net of any unamortized discount or premium. As of December 31, 2009 and 2008, the carrying amounts of mezzanine loans receivable, net were \$203,286,000 and \$472,539,000, respectively. We accrete or amortize any discounts or premiums over the life of the related receivable utilizing the effective interest method, or straight-line method if the result is not materially different. We evaluate the collectibility of both interest and principal of each of our loans each quarter, if circumstances warrant, in determining whether they are impaired. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the estimated fair value of the loan or, as a practical expedient, to the value of the collateral if the loan is collateral dependent. If our estimates of the collectibility of both interest and principal or the fair value of our loans change based on market conditions or otherwise, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements.

*Partially Owned Entities*

As of December 31, 2009 and 2008, the carrying amounts of investments and advances to partially owned entities, including Alexander's and Toys 'R Us, were \$1.209 billion and \$1.083 billion, respectively. In determining whether we have a controlling interest in a partially owned entity and the requirement to consolidate the accounts of that entity, we consider factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity in which we have the power over significant activities of the entity and the obligation to absorb a majority of the entity's expected losses, if they occur, or receive a majority of the expected residual returns, if they occur, or both. We account for investments on the equity method when the requirements for consolidation are not met and we have significant influence over the operations of the investee. Equity method investments are initially recorded at cost and subsequently adjusted for our share of net income or loss and cash contributions and distributions. Investments that do not qualify for consolidation or equity method accounting are accounted for on the cost method.

Our investments in partially owned entities are reviewed for impairment each quarter, if events or circumstances change indicating that the carrying amount of our investments may not be recoverable. The ultimate realization of our investments in partially owned entities is dependent on a number of factors, including the performance of each investment and market conditions. We will record an impairment charge if we determine that a decline in the value of an investment is other-than-temporary. If our estimates of the projected future cash flows, the nature of development activities for properties for which such activities are planned and the estimated fair value of the investment change based on market conditions or otherwise, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and

is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results.

*Allowance For Doubtful Accounts*

We periodically evaluate the collectibility of amounts due from tenants and maintain an allowance for doubtful accounts (\$46,708,000 and \$32,834,000 as of December 31, 2009 and 2008) for estimated losses resulting from the inability of tenants to make required payments under their lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents (\$4,680,000 and \$5,773,000 as of December 31, 2009 and 2008, respectively). This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. These estimates may differ from actual results, which could be material to our consolidated financial statements.

## Critical Accounting Policies continued

### *Revenue Recognition*

We have the following revenue sources and revenue recognition policies:

- **Base Rent** income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.
- **Percentage Rent** income arising from retail tenant leases that is contingent upon sales of the tenants exceeding defined thresholds. These rents are recognized only after the contingency has been removed (i.e., sales thresholds have been achieved).
- **Hotel Revenue** income arising from the operation of the Hotel Pennsylvania which consists of rooms revenue, food and beverage revenue, and banquet revenue. Income is recognized when rooms are occupied. Food and beverage and banquet revenue are recognized when the services have been rendered.
- **Trade Shows Revenue** income arising from the operation of trade shows, including rentals of booths. This revenue is recognized when the trade shows have occurred.
- **Expense Reimbursements** revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.
- **Management, Leasing and Other Fees** income arising from contractual agreements with third parties or with partially owned entities. This revenue is recognized as the related services are performed under the respective agreements.

Before we recognize revenue, we assess, among other things, its collectibility. If our assessment of the collectibility of revenue changes, the impact on our consolidated financial statements could be material.

### *Income Taxes*

We operate in a manner intended to enable us 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. We distribute to our shareholders 100% of our taxable income. Therefore, no provision for Federal income taxes is required. If we fail to distribute the required amount of income to our shareholders, or fail to meet other REIT requirements, we may fail to qualify as a REIT which may result in substantial adverse tax consequences.

# **Net income and EBITDA <sup>(1)</sup> by Segment for the Years Ended December 31, 2009, 2008 and 2007.**

(Amounts in thousands)

|                                                                                                       | <b>For the Year Ended December 31, 2009</b> |                 |                    |               |                    |             |                            |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------|--------------------|---------------|--------------------|-------------|----------------------------|
|                                                                                                       |                                             |                 | <b>Washington,</b> |               | <b>Merchandise</b> |             |                            |
|                                                                                                       | <b>Total</b>                                | <b>New York</b> | <b>DC</b>          | <b>Retail</b> | <b>Mart</b>        | <b>Toys</b> | <b>Other<sup>(3)</sup></b> |
|                                                                                                       |                                             | <b>Office</b>   | <b>Office</b>      |               |                    |             |                            |
| Property rentals                                                                                      | \$2,058,811                                 | \$758,557       | \$538,882          | \$365,379     | \$236,761          | \$          | \$159,232                  |
| Straight-line rents:                                                                                  |                                             |                 |                    |               |                    |             |                            |
| Contractual rent increases                                                                            | 54,945                                      | 28,423          | 11,942             | 12,596        | 1,891              |             | 93                         |
| Amortization of free rent                                                                             | 36,048                                      | 8,382           | 12,257             | 14,631        | 402                |             | 376                        |
| Amortization of acquired below- market leases, net                                                    | 72,481                                      | 40,129          | 3,891              | 23,081        | 89                 |             | 5,291                      |
| Total rentals                                                                                         | 2,222,285                                   | 835,491         | 566,972            | 415,687       | 239,143            |             | 164,992                    |
| Tenant expense reimbursements                                                                         | 361,982                                     | 136,541         | 64,441             | 135,178       | 15,984             |             | 9,838                      |
| Fee and other income:                                                                                 |                                             |                 |                    |               |                    |             |                            |
| Tenant cleaning fees                                                                                  | 58,512                                      | 80,237          |                    |               |                    |             | (21,725 )                  |
| Management and leasing fees                                                                           | 11,456                                      | 4,211           | 8,183              | 1,731         | 88                 |             | (2,757 )                   |
| Lease termination fees                                                                                | 5,525                                       | 1,840           | 2,224              | 464           | 858                |             | 139                        |
| Other                                                                                                 | 82,818                                      | 14,180          | 47,830             | 2,677         | 9,677              |             | 8,454                      |
| Total revenues                                                                                        | 2,742,578                                   | 1,072,500       | 689,650            | 555,737       | 265,750            |             | 158,941                    |
| Operating expenses                                                                                    | 1,087,785                                   | 452,370         | 228,740            | 206,590       | 135,385            |             | 64,700                     |
| Depreciation and amortization                                                                         | 539,503                                     | 173,923         | 144,317            | 102,210       | 56,171             |             | 62,882                     |
| General and administrative                                                                            | 231,688                                     | 22,820          | 26,219             | 30,433        | 31,587             |             | 120,629                    |
| Impairment and other losses                                                                           | 87,823                                      |                 | 24,875             | 23,649        |                    |             | 39,299                     |
| Total expenses                                                                                        | 1,946,799                                   | 649,113         | 424,151            | 362,882       | 223,143            |             | 287,510                    |
| Operating income (loss)                                                                               | 795,779                                     | 423,387         | 265,499            | 192,855       | 42,607             |             | (128,569)                  |
| Income applicable to Alexander's                                                                      | 53,529                                      | 770             |                    | 791           |                    |             | 51,968                     |
| Income applicable to Toys                                                                             | 92,300                                      |                 |                    |               |                    | 92,300      |                            |
| (Loss) income from partially owned entities                                                           | (73,439 )                                   | 5,047           | 4,850              | 3,937         | 151                |             | (87,424 )                  |
| Interest and other investment (loss) income, net                                                      | (116,330 )                                  | 876             | 789                | 85            | 96                 |             | (118,176)                  |
| Interest and debt expense                                                                             | (634,283 )                                  | (133,647 )      | (129,380)          | (90,068 )     | (51,959 )          |             | (229,229)                  |
| Net (loss) gain on early extinguishment of debt                                                       | (25,915 )                                   |                 |                    | 769           |                    |             | (26,684 )                  |
| Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate | 5,641                                       |                 |                    |               |                    |             | 5,641                      |
| Income (loss) before income taxes                                                                     | 97,282                                      | 296,433         | 141,758            | 108,369       | (9,105 )           | 92,300      | (532,473)                  |
| Income tax expense                                                                                    | (20,737 )                                   | (1,332 )        | (1,577 )           | (319 )        | (2,140 )           |             | (15,369 )                  |
| Income (loss) from continuing operations                                                              | 76,545                                      | 295,101         | 140,181            | 108,050       | (11,245 )          | 92,300      | (547,842)                  |
| Income from discontinued operations                                                                   | 51,905                                      |                 | 46,004             | 5,901         |                    |             |                            |
| Net income (loss)                                                                                     | 128,450                                     | 295,101         | 186,185            | 113,951       | (11,245 )          | 92,300      | (547,842)                  |
| Net (income) loss attributable to noncontrolling interests, including                                 | (22,281 )                                   | (9,098 )        |                    | 915           |                    |             | (14,098 )                  |

unit distributions

|                                              |             |           |           |           |           |           |             |
|----------------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Net income (loss) attributable to Vornado    | 106,169     | 286,003   | 186,185   | 114,866   | (11,245 ) | 92,300    | (561,940)   |
| Interest and debt expense <sup>(2)</sup>     | 826,827     | 126,968   | 132,610   | 95,990    | 52,862    | 127,390   | 291,007     |
| Depreciation and amortization <sup>(2)</sup> | 728,815     | 168,517   | 152,747   | 105,903   | 56,702    | 132,227   | 112,719     |
| Income tax expense (benefit) <sup>(2)</sup>  | 10,193      | 1,332     | 1,590     | 319       | 2,208     | (13,185 ) | 17,929      |
| EBITDA <sup>(1)</sup>                        | \$1,672,004 | \$582,820 | \$473,132 | \$317,078 | \$100,527 | \$338,732 | \$(140,285) |
| Percentage of EBITDA by segment              | 100.0       | % 34.9    | % 28.3    | % 19.0    | % 6.0     | % 20.3    | % (8.5      |

Excluding items that affect comparability, which are described in the Overview, the percentages of EBITDA by segment are 30.3% for New York Office, 22.1% for Washington, DC Office, 17.7% for Retail, 5.2% for Merchandise Mart, 16.3% for Toys and 8.4% for Other.

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See notes on page 78.

# **Net income and EBITDA <sup>(1)</sup> by Segment for the Years Ended December 31, 2009, 2008 and 2007 continued**

(Amounts in thousands)

**For the Year Ended December 31, 2008****Washington,**

|  | <b>Total</b> | <b>New York Office</b> | <b>DC Office</b> | <b>Retail</b> | <b>Merchandise Mart</b> | <b>Toys</b> | <b>Other <sup>(3)</sup></b> |
|--|--------------|------------------------|------------------|---------------|-------------------------|-------------|-----------------------------|
|--|--------------|------------------------|------------------|---------------|-------------------------|-------------|-----------------------------|

|                                                                                                       |             |            |            |           |           |         |           |
|-------------------------------------------------------------------------------------------------------|-------------|------------|------------|-----------|-----------|---------|-----------|
| Property rentals                                                                                      | \$2,020,369 | \$722,445  | \$509,377  | \$346,057 | \$45,400  | \$      | \$197,090 |
| Straight-line rents:                                                                                  |             |            |            |           |           |         |           |
| Contractual rent increases                                                                            | 57,953      | 28,023     | 6,764      | 16,416    | 5,954     |         | 796       |
| Amortization of free rent                                                                             | 32,901      | 14,743     | 10,778     | 4,156     | 2,703     |         | 521       |
| Amortization of acquired below- market leases, net                                                    | 96,176      | 60,355     | 4,423      | 26,765    | 161       |         | 4,472     |
| Total rentals                                                                                         | 2,207,399   | 825,566    | 531,342    | 393,394   | 254,218   |         | 202,879   |
| Tenant expense reimbursements                                                                         | 357,986     | 135,788    | 61,448     | 128,120   | 18,567    |         | 14,063    |
| Fee and other income:                                                                                 |             |            |            |           |           |         |           |
| Tenant cleaning fees                                                                                  | 56,416      | 71,833     |            |           |           |         | (15,417 ) |
| Management and leasing fees                                                                           | 13,397      | 6,411      | 8,940      | 1,673     | 349       |         | (3,976 )  |
| Lease termination fees                                                                                | 8,634       | 3,088      | 2,635      | 2,281     | 630       |         |           |
| Other                                                                                                 | 48,854      | 15,699     | 22,360     | 2,601     | 7,059     |         | 1,135     |
| Total revenues                                                                                        | 2,692,686   | 1,058,385  | 626,725    | 528,069   | 280,823   |         | 198,684   |
| Operating expenses                                                                                    | 1,069,445   | 439,012    | 220,103    | 200,760   | 137,971   |         | 71,599    |
| Depreciation and amortization                                                                         | 536,820     | 190,925    | 137,255    | 91,746    | 51,833    |         | 65,061    |
| General and administrative                                                                            | 194,023     | 20,217     | 26,548     | 29,862    | 29,254    |         | 88,142    |
| Impairment and other losses                                                                           | 81,447      |            |            | 595       |           |         | 80,852    |
| Total expenses                                                                                        | 1,881,735   | 650,154    | 383,906    | 322,963   | 219,058   |         | 305,654   |
| Operating income (loss)                                                                               | 810,951     | 408,231    | 242,819    | 205,106   | 61,765    |         | (106,970) |
| Income applicable to Alexander's                                                                      | 36,671      | 763        |            | 650       |           |         | 35,258    |
| Income applicable to Toys                                                                             | 2,380       |            |            |           |           | 2,380   |           |
| (Loss) income from partially owned entities                                                           | (195,878 )  | 5,319      | 6,173      | 9,721     | 1,106     |         | (218,197) |
| Interest and other investment (loss) income, net                                                      | (2,682 )    | 2,288      | 2,116      | 494       | 356       |         | (7,936 )  |
| Interest and debt expense                                                                             | (635,724 )  | (139,146 ) | (126,508 ) | (86,787 ) | (52,148 ) |         | (231,135) |
| Net gain on early extinguishment of debt                                                              | 9,820       |            |            |           |           |         | 9,820     |
| Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate | 7,757       |            |            |           |           |         | 7,757     |
| Income (loss) before income taxes                                                                     | 33,295      | 277,455    | 124,600    | 129,184   | 11,079    | 2,380   | (511,403) |
| Income tax benefit (expense)                                                                          | 204,537     |            | 220,973    | (82 )     | (1,206 )  |         | (15,148 ) |
| Income (loss) from continuing operations                                                              | 237,832     | 277,455    | 345,573    | 129,102   | 9,873     | 2,380   | (526,551) |
| Income from discontinued operations                                                                   | 173,613     |            | 59,107     | 2,594     |           |         | 111,912   |
| Net income (loss)                                                                                     | 411,445     | 277,455    | 404,680    | 131,696   | 9,873     | 2,380   | (414,639) |
| Net (income) loss attributable to noncontrolling interests, including unit distributions              | (52,148 )   | (4,762 )   |            | 157       | (125 )    |         | (47,418 ) |
| Net income (loss) attributable to Vornado                                                             | 359,297     | 272,693    | 404,680    | 131,853   | 9,748     | 2,380   | (462,057) |
| Interest and debt expense <sup>(2)</sup>                                                              | 821,940     | 132,406    | 130,310    | 102,600   | 53,072    | 147,812 | 255,740   |
| Depreciation and amortization <sup>(2)</sup>                                                          | 710,526     | 181,699    | 143,989    | 98,238    | 52,357    | 136,634 | 97,609    |

Net income and EBITDA (1) by Segment for the Years Ended December 31, 2009, 2008 and 2007 continued

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|                                             |             |           |        |           |           |          |           |             |  |
|---------------------------------------------|-------------|-----------|--------|-----------|-----------|----------|-----------|-------------|--|
| Income tax (benefit) expense <sup>(2)</sup> | (142,415 )  |           |        | (220,965) | 82        | 1,260    | 59,652    | 17,556      |  |
| EBITDA <sup>(1)</sup>                       | \$1,749,348 | \$586,798 |        | \$458,014 | \$332,773 | \$16,437 | \$346,478 | \$(91,152 ) |  |
| Percentage of EBITDA by segment             | 100.0       | % 33.5    | % 26.2 | % 19.0    | % 6.7     | % 19.8   | % (5.2    | )%          |  |

Excluding items that affect comparability, which are described in the Overview, the percentages of EBITDA by segment are 30.5% for New York Office, 20.6% for Washington, DC Office, 17.2% for Retail, 6.1% for Merchandise Mart, 18.0% for Toys and 7.6% for Other.

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See notes on page 78.

# **Net income and EBITDA <sup>(1)</sup> by Segment for the Years Ended December 31, 2009, 2008 and 2007 continued**

(Amounts in thousands)

**For the Year Ended December 31, 2007**

|                                                                                                       | <b>Total</b> | <b>New<br/>York<br/>Office</b> | <b>Washington,<br/>DC<br/>Office</b> | <b>Retail</b> | <b>Merchandise<br/>Mart</b> | <b>Toys</b> | <b>Other <sup>(3)</sup></b> |
|-------------------------------------------------------------------------------------------------------|--------------|--------------------------------|--------------------------------------|---------------|-----------------------------|-------------|-----------------------------|
| Property rentals                                                                                      | \$1,812,139  | \$640,739                      | \$454,563                            | \$325,205     | \$237,199                   | \$          | \$154,433                   |
| Straight-line rents:                                                                                  |              |                                |                                      |               |                             |             |                             |
| Contractual rent increases                                                                            | 42,215       | 13,281                         | 11,863                               | 12,034        | 4,193                       |             | 844                         |
| Amortization of free rent                                                                             | 34,602       | 15,935                         | 14,115                               | 1,138         | 1,836                       |             | 1,578                       |
| Amortization of acquired below- market leases, net                                                    | 83,274       | 47,861                         | 4,597                                | 25,960        | 193                         |             | 4,663                       |
| Total rentals                                                                                         | 1,972,230    | 717,816                        | 485,138                              | 364,337       | 243,421                     |             | 161,518                     |
| Tenant expense reimbursements                                                                         | 323,075      | 125,940                        | 45,046                               | 120,379       | 19,570                      |             | 12,140                      |
| Fee and other income:                                                                                 |              |                                |                                      |               |                             |             |                             |
| Tenant cleaning fees                                                                                  | 46,238       | 58,837                         |                                      |               |                             |             | (12,599 )                   |
| Management and leasing fees                                                                           | 15,713       | 4,928                          | 12,539                               | 1,770         | 7                           |             | (3,531 )                    |
| Lease termination fees                                                                                | 7,453        | 3,500                          | 453                                  | 2,823         | 677                         |             |                             |
| Other                                                                                                 | 40,534       | 16,239                         | 16,286                               | 2,259         | 6,997                       |             | (1,247 )                    |
| Total revenues                                                                                        | 2,405,243    | 927,260                        | 559,462                              | 491,568       | 270,672                     |             | 156,281                     |
| Operating expenses                                                                                    | 950,487      | 395,357                        | 183,278                              | 171,960       | 131,332                     |             | 68,560                      |
| Depreciation and amortization                                                                         | 440,224      | 150,268                        | 117,118                              | 77,679        | 47,105                      |             | 48,054                      |
| General and administrative                                                                            | 189,024      | 17,252                         | 27,612                               | 27,476        | 28,168                      |             | 88,516                      |
| Impairments and other losses                                                                          | 10,375       |                                |                                      |               |                             |             | 10,375                      |
| Total expenses                                                                                        | 1,590,110    | 562,877                        | 328,008                              | 277,115       | 206,605                     |             | 215,505                     |
| Operating income (loss)                                                                               | 815,133      | 364,383                        | 231,454                              | 214,453       | 64,067                      |             | (59,224 )                   |
| Income applicable to Alexander's                                                                      | 50,589       | 757                            |                                      | 812           |                             |             | 49,020                      |
| Loss applicable to Toys 'R Us                                                                         | (14,337 )    |                                |                                      |               |                             | (14,337 )   |                             |
| Income from partially owned entities                                                                  | 31,891       | 4,799                          | 8,728                                | 9,041         | 1,053                       |             | 8,270                       |
| Interest and other investment income, net                                                             | 226,425      | 2,888                          | 5,982                                | 534           | 390                         |             | 216,631                     |
| Interest and debt expense                                                                             | (599,804 )   | (133,804 )                     | (126,163 )                           | (78,234 )     | (52,237 )                   |             | (209,366 )                  |
| Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate | 39,493       |                                |                                      |               |                             |             | 39,493                      |
| Income (loss) before income taxes                                                                     | 549,390      | 239,023                        | 120,001                              | 146,606       | 13,273                      | (14,337 )   | 44,824                      |
| Income tax expense                                                                                    | (9,179 )     |                                | (2,909 )                             | (185 )        | (969 )                      |             | (5,116 )                    |
| Income (loss) from continuing operations                                                              | 540,211      | 239,023                        | 117,092                              | 146,421       | 12,304                      | (14,337 )   | 39,708                      |
| Income (loss) from discontinued operations                                                            | 67,622       |                                | 62,557                               | 9,497         |                             |             | (4,432 )                    |
| Net income (loss)                                                                                     | 607,833      | 239,023                        | 179,649                              | 155,918       | 12,304                      | (14,337 )   | 35,276                      |
| Net (income) loss attributable to noncontrolling interests, including unit distributions              | (66,294 )    | (3,583 )                       |                                      | 96            |                             |             | (62,807 )                   |
| Net income (loss) attributable to Vornado                                                             | 541,539      | 235,440                        | 179,649                              | 156,014       | 12,304                      | (14,337 )   | (27,531 )                   |
| Interest and debt expense <sup>(2)</sup>                                                              | 853,448      | 131,418                        | 131,013                              | 89,537        | 53,098                      | 174,401     | 273,981                     |
| Depreciation and amortization <sup>(2)</sup>                                                          | 676,660      | 147,340                        | 132,302                              | 82,002        | 47,711                      | 155,800     | 111,505                     |
| Income tax expense (benefit) <sup>(2)</sup>                                                           | 4,234        |                                | 6,738                                | 185           | 969                         | (10,898 )   | 7,240                       |

Net income and EBITDA <sup>(1)</sup> by Segment for the Years Ended December 31, 2009, 2008 and 2007 continued

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|                                 |             |           |           |           |           |           |           |
|---------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| EBITDA <sup>(1)</sup>           | \$2,075,881 | \$514,198 | \$449,702 | \$327,738 | \$114,082 | \$304,966 | \$365,195 |
| Percentage of EBITDA by segment | 100.0       | % 24.8    | % 21.7    | % 15.8    | % 5.5     | % 14.7    | % 17.5    |

Excluding items that affect comparability, which are described in the Overview, the percentages of EBITDA by segment are 27.9% for New York Office, 20.9% for Washington, DC Office, 17.4% for Retail, 6.2% for Merchandise Mart, 16.4% for Toys and 11.2% for Other.

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See notes on the following page.

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## Net income and EBITDA <sup>(1)</sup> by Segment for the Years Ended December 31, 2009, 2008 and 2007 continued

### Notes to the preceding tabular information:

(1) EBITDA represents Earnings Before Interest, Taxes, Depreciation and Amortization. We consider EBITDA a supplemental measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered as an alternative to net income or cash flows and may not be comparable to similarly titled measures employed by other companies.

(2) Interest and debt expense, depreciation and amortization and income tax (benefit) expense in the reconciliation of net income to EBITDA include our share of these items from partially owned entities.

(3) Other EBITDA is comprised of:

| (Amounts in thousands)                                                            | For the Year Ended December 31, |           |           |
|-----------------------------------------------------------------------------------|---------------------------------|-----------|-----------|
|                                                                                   | 2009                            | 2008      | 2007      |
| Alexander s                                                                       | \$ 81,703                       | \$ 64,683 | \$ 78,375 |
| Lexington                                                                         | 50,024                          | 35,150    | 24,539    |
| 555 California Street (acquired 70% interest in May 2007)                         | 44,757                          | 48,316    | 34,073    |
| Hotel Pennsylvania                                                                | 15,108                          | 42,269    | 37,941    |
| GMH (sold in June 2008)                                                           |                                 |           | 22,604    |
| Industrial warehouses                                                             | 4,737                           | 5,264     | 4,881     |
| Other investments                                                                 | 6,981                           | 6,321     | 7,322     |
|                                                                                   | 203,310                         | 202,003   | 209,735   |
| Investment income and other (1)                                                   | 67,571                          | 101,526   | 180,137   |
| Corporate general and administrative expenses (1)                                 | (79,843 )                       | (91,967)  | (75,659)  |
| Net income attributable to noncontrolling interests, including unit distributions | (14,098 )                       | (47,418)  | (62,807)  |
| Write-off of unamortized costs from the voluntary surrender of equity awards      | (20,202 )                       |           |           |
| Net loss on early extinguishment of debt                                          | (26,684 )                       |           |           |
| Non-cash asset write-downs:                                                       |                                 |           |           |

Net income and EBITDA (1) by Segment for the Years Ended December 31, 2009, 2008 and 2007 continued

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|                                                                                       |               |              |            |
|---------------------------------------------------------------------------------------|---------------|--------------|------------|
| Mezzanine loans receivable                                                            | (190,738 )    | 10,300       | (57,000)   |
| Investment in Lexington                                                               | (19,121 )     | (107,882 )   |            |
| Marketable equity securities                                                          | (3,361 )      | (76,352)     |            |
| Real estate primarily development projects:                                           |               |              |            |
| Wholly owned entities (including costs of acquisitions not consummated)               | (39,299 )     | (80,852)     | (10,375)   |
| Partially owned entities                                                              | (17,820 )     | (96,037 )    |            |
| Derivative positions in marketable equity securities                                  |               | (33,740)     | 113,503    |
| Discontinued operations of Americold (including a \$112,690 net gain on sale in 2008) |               | 129,267      | 67,661     |
|                                                                                       | \$ (140,285 ) | \$ (91,152 ) | \$ 365,195 |

(1) The amounts in these captions (for this table only) exclude the mark-to-market of our deferred compensation plan assets and offsetting liability.

## Results of Operations - Year Ended December 31, 2009 Compared to December 31, 2008

### Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below-market leases, net of above-market leases, and fee and other income, were \$2,742,578,000 for the year ended December 31, 2009, compared to \$2,692,686,000 in the prior year, an increase of \$49,892,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

|                                                                                    | Total     | New<br>York<br>Office    | Washington,<br>DC<br>Office | Retail    | Merchandise<br>Mart      | Other                    |
|------------------------------------------------------------------------------------|-----------|--------------------------|-----------------------------|-----------|--------------------------|--------------------------|
| Increase (decrease) due to:                                                        |           |                          |                             |           |                          |                          |
| <b>Property rentals:</b>                                                           |           |                          |                             |           |                          |                          |
| Acquisitions (including the transfer of an asset from other to the retail segment) | \$ 13,135 | \$                       | \$                          | \$ 11,309 | \$ 5,430                 | \$ (3,604 )              |
| Development/redevelopment                                                          | 2,805     |                          | 1,333                       | 1,472     |                          |                          |
| Amortization of acquired below-market leases, net                                  | (23,695 ) | (20,226 ) <sup>(1)</sup> | (532 )                      | (3,684 )  | (72 )                    | 819                      |
| Operations:                                                                        |           |                          |                             |           |                          |                          |
| Hotel Pennsylvania                                                                 | (32,248 ) |                          |                             |           |                          | (32,248 ) <sup>(2)</sup> |
| Trade shows                                                                        | (10,002 ) |                          |                             |           | (10,002 ) <sup>(3)</sup> |                          |
| Leasing activity (see page 68)                                                     | 64,891    | 30,151                   | 34,829                      | 13,196    | (10,431 )                | (2,854 )                 |
| Increase (decrease) in property rentals                                            | 14,886    | 9,925                    | 35,630                      | 22,293    | (15,075 )                | (37,887 )                |
| <b>Tenant expense reimbursements:</b>                                              |           |                          |                             |           |                          |                          |
| Acquisitions/development                                                           | (7 )      |                          | (215 )                      | 1,182     |                          | (974 )                   |
| Operations                                                                         | 4,003     | 753                      | 3,208                       | 5,876     | (2,583 )                 | (3,251 )                 |
| Increase (decrease) in tenant expense reimbursements                               | 3,996     | 753                      | 2,993                       | 7,058     | (2,583 )                 | (4,225 )                 |
| <b>Fee and other income:</b>                                                       |           |                          |                             |           |                          |                          |
| Lease cancellation fee income                                                      | (3,109 )  | (1,248 )                 | (411 )                      | (1,817 )  | 228                      | 139                      |
| Management and leasing fees                                                        | (1,941 )  | (2,200 )                 | (757 )                      | 58        | (261 )                   | 1,219                    |
| BMS cleaning fees                                                                  | 2,096     | 8,404                    |                             |           |                          | (6,308 ) <sup>(4)</sup>  |
| Other                                                                              | 33,964    | (1,519 )                 | 25,470 <sup>(5)</sup>       | 76        | 2,618                    | 7,319 <sup>(6)</sup>     |
| Increase (decrease) in fee and other income                                        | 31,010    | 3,437                    | 24,302                      | (1,683 )  | 2,585                    | 2,369                    |
| Total increase (decrease) in revenues                                              | \$ 49,892 | \$ 14,115                | \$ 62,925                   | \$ 27,668 | \$ (15,073 )             | \$ (39,743 )             |

(1) Primarily due to a lease modification that reduced the term of a portion of AXA Equitable Life Insurance Company's (AXA) space at 1290 Avenue of the Americas, which resulted in additional amortization of approximately \$12,000 in the prior year.

(2) Primarily due to lower REVPAR.

(3) Primarily due to lower exhibitor occupancy.

(4) Results from the elimination of inter-company fees from operating segments upon consolidation. See note (3) on page 80.

(5) In December 2009, our agreement to sell an 8.6 acre parcel of land in the Pentagon City area of Arlington, Virginia, was terminated by the buyer. Accordingly, we recognized \$27,089 of income, representing the buyer's forfeited non-refundable purchase deposit. In connection therewith, we wrote down the carrying amount of the land to its fair value and recognized a \$24,875 impairment loss which is included as a component of impairment and other losses on our consolidated statement of income.

(6) Includes \$5,402 of income previously deferred resulting from the termination of a lease with a partially owned entity.

## Results of Operations - Year Ended December 31, 2009 Compared to December 31, 2008 continued

### Expenses

Our expenses, which consist of operating, depreciation and amortization, general and administrative expenses and costs of acquisitions and developments not consummated were \$1,946,799,000 for the year ended December 31, 2009, compared to \$1,881,735,000 in the prior year, an increase of \$65,064,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

|                                                                                              | Total    | New<br>York<br>Office   | Washington,<br>DC<br>Office | Retail                  | Merchandise<br>Mart  | Other                   |
|----------------------------------------------------------------------------------------------|----------|-------------------------|-----------------------------|-------------------------|----------------------|-------------------------|
| Increase (decrease) due to:                                                                  |          |                         |                             |                         |                      |                         |
| <b>Operating:</b>                                                                            |          |                         |                             |                         |                      |                         |
| Acquisitions and other (including the transfer of an asset from other to the retail segment) | \$12,883 | \$                      | \$                          | \$6,367                 | \$5,226              | \$1,290                 |
| Development/redevelopment                                                                    | 4,433    |                         | 2,114                       | 2,319                   |                      |                         |
| Hotel activity                                                                               | (5,734 ) |                         |                             |                         |                      | (5,734 )                |
| Trade shows activity                                                                         | (3,484 ) |                         |                             |                         | (3,484 )             |                         |
| Operations                                                                                   | 10,242   | 13,358 <sup>(1)</sup>   | 6,523                       | (2,856 ) <sup>(2)</sup> | (4,328)              | (2,455 ) <sup>(3)</sup> |
| Increase (decrease) in operating expenses                                                    | 18,340   | 13,358                  | 8,637                       | 5,830                   | (2,586)              | (6,899 )                |
| <b>Depreciation and amortization:</b>                                                        |          |                         |                             |                         |                      |                         |
| Acquisitions/development                                                                     | 4,693    |                         | (2,374 )                    | 9,306                   |                      | (2,239 )                |
| Operations (due to additions to buildings and improvements)                                  | (2,010 ) | (17,002) <sup>(4)</sup> | 9,436                       | 1,158                   | 4,338                | 60                      |
| Increase (decrease) in depreciation and amortization                                         | 2,683    | (17,002 )               | 7,062                       | 10,464                  | 4,338                | (2,179 )                |
| <b>General and administrative:</b>                                                           |          |                         |                             |                         |                      |                         |
| Write-off of unamortized costs from the voluntary surrender of equity awards <b>(5)</b>      | 32,588   | 3,451                   | 3,131                       | 4,793                   | 1,011                | 20,202                  |
| Mark-to-market of deferred compensation plan liability <b>(6)</b>                            | 23,710   |                         |                             |                         |                      | 23,710                  |
| Operations                                                                                   | (18,633) | (848 )                  | (3,460 )                    | (4,222 )                | 1,322 <sup>(7)</sup> | (11,425) <sup>(8)</sup> |
| Increase (decrease) in general and administrative                                            | 37,665   | 2,603                   | (329 )                      | 571                     | 2,333                | 32,487                  |
| <b>Impairment and other losses</b>                                                           | 6,376    |                         | 24,875                      | 23,054                  |                      | (41,553)                |
| Total increase (decrease) in expenses                                                        | \$65,064 | \$(1,041 )              | \$40,245                    | \$39,919                | \$4,085              | \$(18,144)              |

(1) Results from a \$7,025 increase in BMS operating expenses and a \$6,333 increase in property level operating expenses, primarily due to higher real estate taxes.

(2) Primarily due to a \$8,190 decrease in bad debt expense partially offset by an increase in real estate taxes which are reimbursed by tenants.

- (3) Results primarily from an increase in the elimination of inter-company fees of our operating segments upon consolidation.
- (4) Primarily due to a lease modification that reduced the term of a portion of AXA's space at 1290 Avenue of the Americas, which resulted in additional depreciation of approximately \$16,000 in the prior year.
- (5) On March 31, 2009, our nine most senior executives voluntarily surrendered their 2007 and 2008 stock option awards and their 2008 out-performance plan awards. Accordingly, we recognized \$32,588 of expense in the first quarter of 2009, representing the unamortized portion of these awards.
- (6) This increase in expense is entirely offset by a corresponding increase in income from the mark-to-market of the deferred compensation plan assets, a component of interest and other investment income on our consolidated statement of income.
- (7) Primarily due to 2009 pension plan termination costs of \$2,800.
- (8) Primarily due to lower payroll and stock-based compensation expense.

## Results of Operations - Year Ended December 31, 2009 Compared to December 31, 2008 continued

### Income Applicable to Alexander's

Our 32.4% share of Alexander's net income (comprised of our share of Alexander's net income, management, leasing and development fees) was \$53,529,000 for the year ended December 31, 2009, compared to \$36,671,000 for the prior year, an increase of \$16,858,000. The increase was primarily due to \$13,668,000 of income for our share of an income tax benefit and \$11,105,000 for our share of the reversal of a portion of previously recognized stock appreciation rights compensation expense in the current year, compared to \$6,583,000 for our share of such income in the prior year.

### Income (loss) Applicable to Toys

During the year ended December 31, 2009, we recognized \$92,300,000 of income from our investment in Toys, comprised of (i) \$71,601,000 for our 32.7% share of Toys' net income (\$58,416,000 before our share of Toys' income tax benefit), (ii) \$13,946,000 for our share of income from the reversal of previously recognized deferred financing cost amortization expense, which we initially recorded as a reduction of the basis of our investment in Toys, and (iii) \$6,753,000 of interest and other income.

During the year ended December 31, 2008, we recognized \$2,380,000 of income from our investment in Toys, comprised of (i) \$9,115,000 for our 32.7% share of Toys' net income (\$53,867,000 before our share of Toys' income tax expense) and (ii) \$8,165,000 of interest and other income, partially offset by (iii) \$14,900,000 for our share of a non-cash charge adjusting Toys purchase accounting basis income tax expense resulting from the audit of Toys fiscal 2006 and 2007 purchase accounting financial statements.

### Loss from Partially Owned Entities

Summarized below are the components of loss from partially owned entities for the years ended December 31, 2009 and 2008.

| (Amounts in thousands)   | For The Year<br>Ended December 31, |               |
|--------------------------|------------------------------------|---------------|
|                          | 2009                               | 2008          |
| Lexington <sup>(1)</sup> | \$ (25,665 )                       | \$ (105,630 ) |

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|                            |                                           |                          |                          |
|----------------------------|-------------------------------------------|--------------------------|--------------------------|
| India Real Estate Ventures | 4% to 36.5% share of equity in net losses | (1,636 )                 | (3,336 )                 |
| Other <sup>(2)</sup>       |                                           | (46,138 ) <sup>(3)</sup> | (86,912 ) <sup>(4)</sup> |
|                            |                                           | \$ (73,439 )             | \$ (195,878 )            |

(1) 2009 includes \$19,121 for our share of impairment losses recorded by Lexington on its investment in Concord Debt Holdings LLC. 2008 includes \$107,882 of impairment losses on our investment in Lexington.

(2) Represents equity in net earnings of partially owned office buildings in New York and Washington, DC, the Monmouth Mall, Dune Capital LP, Verde Realty Operating Partnership ( Verde ), 85<sup>th</sup> Avenue Associates and others.

(3) Includes \$17,820 of impairment losses, substantially all of which is applicable to our investment in Verde, and \$7,650 of expense for our share of a lease termination payment in our Downtown Crossing, Boston venture.

(4) Includes \$96,037 of non-cash charges for the write-off of our share of certain partially owned entities development costs, including \$37,000 for Downtown Crossing, Boston and \$23,000 for the arena move /Moynihan East portions of the Farley project.

## Results of Operations - Year Ended December 31, 2009 Compared to December 31, 2008 continued

### Interest and Other Investment (Loss) Income, net

Interest and other investment (loss) income, net was a loss of \$116,330,000 for the year ended December 31, 2009, compared to a loss of \$2,682,000 for the prior year, an increase in loss of \$113,648,000. This increase resulted primarily from:

(Amounts in thousands)

|                                                                                                                                                                                 |                                                                       |               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|---------------|
| Mezzanine loans                                                                                                                                                                 | \$190,738 loss accrual in 2009 compared to \$10,300 of income in 2008 | \$ (201,038 ) |
| Marketable equity securities                                                                                                                                                    | impairment losses of \$3,361 in 2009 compared to \$76,742 in 2008     | 73,381        |
| Derivative positions in marketable equity securities in 2008                                                                                                                    |                                                                       | 33,602        |
| Lower average yield on investments (0.4% in 2009 compared to 2.3% in 2008)                                                                                                      |                                                                       | (22,306 )     |
| Increase in value of investments in the deferred compensation plan (offset by a corresponding increase in the liability for plan assets in general and administrative expenses) |                                                                       | 23,710        |
| Lower average mezzanine loan investments - \$345,000 in 2009 compared to \$481,000 in 2008                                                                                      |                                                                       | (12,540 )     |
| Other, net                                                                                                                                                                      |                                                                       | (8,457 )      |
|                                                                                                                                                                                 |                                                                       | \$ (113,648 ) |

### Interest and Debt Expense

Interest and debt expense was \$634,283,000 for the year ended December 31, 2009, compared to \$635,724,000 in the prior year, a decrease of \$1,441,000. This decrease resulted primarily from savings of (i) \$17,561,000 from a decrease in outstanding debt of approximately \$1.5 billion, the full year effect of which is approximately \$100,000,000, (ii) \$27,830,000 from lower average interest rates on variable rate debt (1.61% in 2009 as compared to 3.88% in 2008), (iii) \$1,857,000 from other items, partially offset by (iv) a decrease in capitalized interest of \$45,807,000.

### Net (Loss) Gain on Early Extinguishment of Debt

Net loss on early extinguishment of debt was \$25,915,000 for the year ended December 31, 2009, resulting primarily from the acquisition and retirement of approximately \$1.9 billion of our convertible senior debentures and related write-off of the unamortized debt discount. Net gain on early extinguishment of debt was \$9,820,000 in the year ended December 31, 2008, resulting primarily from the acquisition and retirement of approximately \$81,540,000 of senior unsecured notes and \$27,500,000 of convertible senior debentures.

**Net Gain on Disposition of Wholly Owned and Partially Owned Assets other than Depreciable Real Estate**

Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate was \$5,641,000 in the year ended December 31, 2009, compared to \$7,757,000 in the prior year and was primarily comprised of net gains on sale of marketable securities and residential condominiums.

## Results of Operations - Year Ended December 31, 2009 Compared to December 31, 2008 continued

### Income Tax Expense

Income tax expense was \$20,737,000 for the year ended December 31, 2009 compared to an income tax benefit of \$204,537,000 in the prior year. The prior year income tax benefit was the result of a \$222,174,000 reversal of deferred taxes recorded in connection with our acquisition of H Street. We were required to record these deferred tax liabilities because H Street and its partially owned entities were operated as C Corporations at the time they were acquired. As of January 16, 2008, we had completed all of the actions necessary to enable these entities to elect REIT status effective for the tax year beginning on January 1, 2008 and reversed the deferred tax liabilities.

### Discontinued Operations

The combined results of discontinued operations for the years ended December 31, 2009 and 2008 include the operating results of 1999 K Street, which was sold on September 1, 2009; Americold, which was sold on March 31, 2008 and Tysons Dulles Plaza, which was sold on June 10, 2008.

| (Amounts in thousands)                  | For the Year Ended December 31, |            |
|-----------------------------------------|---------------------------------|------------|
|                                         | 2009                            | 2008       |
| Total revenues                          | \$ 9,846                        | \$ 226,726 |
| Total expenses                          | 3,225                           | 223,326    |
| Net income                              | 6,621                           | 3,400      |
| Net gain on sale of Americold           |                                 | 112,690    |
| Net gain on sale of Tysons Dulles Plaza |                                 | 56,831     |
| Net gain on sale of 1999 K Street       | 41,211                          |            |
| Net gains on sale of other real estate  | 4,073                           | 692        |
| Income from discontinued operations     | \$ 51,905                       | \$ 173,613 |

### Net Income Attributable to Noncontrolling Interests, Including Unit Distributions

Net income attributable to noncontrolling interests for the years ended December 31, 2009 and 2008 is comprised of (i) allocations of income to redeemable noncontrolling interests of \$5,834,000 and \$33,327,000, respectively, (ii) net loss attributable to noncontrolling interests in consolidated subsidiaries of \$2,839,000 and \$3,263,000, respectively and (iii) preferred unit distributions of the Operating Partnership of \$19,286,000 and \$22,084,000, respectively. The decrease of \$27,493,000 in allocations of income to redeemable noncontrolling interests resulted primarily from lower net income subject to allocation to the unitholders. The decrease of \$2,798,000 in preferred unit distributions was

primarily due to a write-off of unit issuance costs in the prior year.

**Preferred Share Dividends**

Preferred share dividends were \$57,076,000 for the year ended December 31, 2009, compared to \$57,091,000 for the prior year.

## Results of Operations - Year Ended December 31, 2009 Compared to December 31, 2008 continued

### Same Store EBITDA

Same store EBITDA represents EBITDA from property level operations which are owned by us in both the current and prior year reporting periods. Same store EBITDA excludes segment-level overhead expenses that are not considered property-level expenses, as well as other non-operating items. We present same store EBITDA on both a GAAP basis and a cash basis, which excludes income from the straight-lining of rents, amortization of below-market leases, net of above-market leases and other non-cash adjustments. We present these non-GAAP measures to (i) facilitate meaningful comparisons of the operational performance of our properties and segments, (ii) make decisions on whether to buy, sell or refinance properties, and (iii) compare the performance of our properties and segments to those of our peers. Same store EBITDA should not be considered as an alternative to net income or cash flow from operations and may not be comparable to similarly titled measures employed by other companies.

Below are the same store EBITDA results on a GAAP basis and cash basis for each of our segments for the year ended December 31, 2009, compared to the year ended December 31, 2008.

|                                                                                                                    | New York<br>Office | Washington,<br>DC<br>Office | Retail     | Merchandise<br>Mart |
|--------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------|------------|---------------------|
| (Amounts in thousands)                                                                                             |                    |                             |            |                     |
| EBITDA for the year ended December 31, 2009                                                                        | \$ 582,820         | \$ 473,132                  | \$ 317,078 | \$ 100,527          |
| Add-back: non-property level overhead expenses included above (1)                                                  | 22,820             | 26,219                      | 30,433     | 31,587              |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses                            | (2,278 )           | (52,627 )                   | (1,263 )   | (2,939 )            |
| GAAP basis same store EBITDA for the year ended December 31, 2009                                                  | 603,362            | 446,724                     | 346,248    | 129,175             |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (65,069 )          | (25,931 )                   | (38,396 )  | (4,340 )            |
| Cash basis same store EBITDA for the year ended December 31, 2009                                                  | \$ 538,293         | \$420,793                   | \$307,852  | \$124,835           |
| EBITDA for the year ended December 31, 2008                                                                        | \$ 586,798         | \$458,014                   | \$332,773  | \$116,437           |
| Add-back: non-property level overhead expenses included above                                                      | 20,217             | 26,548                      | 29,862     | 29,254              |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses                            | (8,431 )           | (65,846 )                   | (28,840 )  | 274                 |
| GAAP basis same store EBITDA for the year ended December 31, 2008                                                  | 598,584            | 418,716                     | 333,795    | 145,965             |

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|                                                                                                                                |            |            |            |              |
|--------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|--------------|
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments             | (88,163 )  | (20,354 )  | (37,267 )  | (9,408 )     |
| Cash basis same store EBITDA for the year ended December 31, 2008                                                              | \$ 510,421 | \$ 398,362 | \$ 296,528 | \$ 136,557   |
|                                                                                                                                |            |            |            |              |
| Increase (decrease) in GAAP basis same store EBITDA for the year ended December 31, 2009 over the year ended December 31, 2008 | \$ 4,778   | \$ 28,008  | \$ 12,453  | \$ (16,790 ) |
|                                                                                                                                |            |            |            |              |
| Increase (decrease) in Cash basis same store EBITDA for the year ended December 31, 2009 over the year ended December 31, 2008 | \$ 27,872  | \$ 22,431  | \$ 11,324  | \$ (11,722 ) |
|                                                                                                                                |            |            |            |              |
| % increase (decrease) in GAAP basis same store EBITDA                                                                          | 0.8%       | 6.7%       | 3.7%       | (11.5% )     |
| % increase (decrease) in Cash basis same store EBITDA                                                                          | 5.5%       | 5.6%       | 3.8%       | (8.6% )      |

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(1) Includes the write-off of unamortized costs from the voluntary surrender of equity awards on March 31, 2009, of \$3,451, \$3,131, \$4,793 and \$1,011, respectively.

## Results of Operations - Year Ended December 31, 2008 Compared to December 31, 2007

### Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below-market leases, net of above-market leases, and fee income, were \$2,692,686,000 for the year ended December 31, 2008, compared to \$2,405,243,000 in the prior year, an increase of \$287,443,000. Below are the details of the increase by segment:

(Amounts in thousands)

|                                                                              | Total      | New York Office | Washington, DC Office   | Retail    | Merchandise Mart        | Other                   |
|------------------------------------------------------------------------------|------------|-----------------|-------------------------|-----------|-------------------------|-------------------------|
| Increase (decrease) due to:                                                  |            |                 |                         |           |                         |                         |
| <b>Property rentals:</b>                                                     |            |                 |                         |           |                         |                         |
| Acquisitions:                                                                |            |                 |                         |           |                         |                         |
| 1290 Avenue of the Americas                                                  | \$ 46,780  | \$ 46,780       |                         | \$        | \$                      | \$                      |
| 555 California Street                                                        | 37,301     |                 |                         |           |                         | 37,301                  |
| H Street (effect of consolidating from May 1, 2007, vs. equity method prior) | 19,330     |                 | 19,330                  |           |                         |                         |
| Other                                                                        | 25,788     |                 | 780                     | 16,838    | 8,170                   |                         |
| Development/Redevelopment                                                    | (7,201 )   |                 | (1,839 )                | (4,688 )  |                         | (674 )                  |
| Amortization of acquired below- market leases, net                           | 12,884     | 12,494          | (192 )                  | 805       | (32 )                   | (191 )                  |
| Leasing activity (see page 69)                                               | 91,033     | 48,476          | 28,125                  | 16,102    | 549                     | (2,219 )                |
| Hotel Pennsylvania                                                           | 7,144      |                 |                         |           |                         | 7,144                   |
| Trade shows                                                                  | 2,110      |                 |                         |           | 2,110                   |                         |
| Increase in property rentals                                                 | 235,169    | 107,750         | 46,204                  | 29,057    | 10,797                  | 41,361                  |
| <b>Tenant expense reimbursements:</b>                                        |            |                 |                         |           |                         |                         |
| Acquisitions/development                                                     | 12,630     | 6,041           | 2,575                   | 2,165     |                         | 1,849                   |
| Operations                                                                   | 22,281     | 3,807           | 13,827                  | 5,576     | (1,003 ) <sup>(2)</sup> | 74                      |
| Increase (decrease) in tenant expense reimbursements                         | 34,911     | 9,848           | 16,402                  | 7,741     | (1,003 )                | 1,923                   |
| <b>Fee and other income:</b>                                                 |            |                 |                         |           |                         |                         |
| Lease cancellation fee income                                                | 1,181      | (412 )          | 2,182                   | (542 )    | (47 )                   |                         |
| Management and leasing fees                                                  | (2,316 )   | 1,483           | (3,599 ) <sup>(3)</sup> | (97 )     | 342                     | (445 )                  |
| BMS Cleaning fees                                                            | 10,178     | 12,996          |                         |           |                         | (2,818 ) <sup>(4)</sup> |
| Other                                                                        | 8,320      | (540 )          | 6,074                   | 342       | 62                      | 2,382                   |
| Increase (decrease) in fee and other income                                  | 17,363     | 13,527          | 4,657                   | (297 )    | 357                     | (881 )                  |
| Total increase in revenues                                                   | \$ 287,443 | \$ 131,125      | \$ 67,263               | \$ 36,501 | \$ 10,151               | \$ 42,403               |

- (1) Net of a decrease in real estate tax reimbursements resulting from lower tax assessments and new tenant base years.
- (2) Primarily from lower real estate tax reimbursements resulting from a reassessment of 2006 real estate taxes in 2007.
- (3) Primarily from leasing fees recognized in the prior year in connection with the management of a development project.
- (4) Results from the elimination of inter-company fees from operating segments upon consolidation. See note 4 on page 86.

## Results of Operations - Year Ended December 31, 2008 Compared to December 31, 2007 continued

### Expenses

Our expenses, which consist of operating, depreciation and amortization, general and administrative expenses and costs of acquisitions and developments not consummated were \$1,881,735,000 for the year ended December 31, 2008, compared to \$1,590,110,000 in the prior year, an increase of \$291,625,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

|                                                                              | <b>Total</b> | <b>New<br/>York<br/>Office</b> | <b>Washington,<br/>DC<br/>Office</b> | <b>Retail</b>         | <b>Merchandise<br/>Mart</b> | <b>Other</b>            |
|------------------------------------------------------------------------------|--------------|--------------------------------|--------------------------------------|-----------------------|-----------------------------|-------------------------|
| Increase (decrease) due to:                                                  |              |                                |                                      |                       |                             |                         |
| <b>Operating:</b>                                                            |              |                                |                                      |                       |                             |                         |
| Acquisitions:                                                                |              |                                |                                      |                       |                             |                         |
| 1290 Avenue of the Americas                                                  | \$ 19,148    | \$ 19,148                      | \$                                   | \$                    | \$                          | \$                      |
| 555 California Street                                                        | 17,442       |                                |                                      |                       |                             | 17,442                  |
| H Street (effect of consolidating from May 1, 2007, vs. equity method prior) | 8,300        |                                | 8,300                                |                       |                             |                         |
| Other                                                                        | 14,455       |                                | 1,410                                | 6,190                 | 6,855                       |                         |
| Development/Redevelopment                                                    | 607          |                                | (269 )                               | 2,186                 |                             | (1,310 )                |
| Operations                                                                   | 59,584       | 24,507 <sup>(1)</sup>          | 27,384                               | 20,424 <sup>(2)</sup> | 2,744 <sup>(3)</sup>        | (15,475) <sup>(4)</sup> |
| Hotel Pennsylvania                                                           | 2,382        |                                |                                      |                       |                             | 2,382                   |
| Trade shows activity                                                         | (2,960 )     |                                |                                      |                       | (2,960 )                    |                         |
| Increase in operating expenses                                               | 118,958      | 43,655                         | 36,825                               | 28,800                | 6,639                       | 3,039                   |
| <b>Depreciation and amortization:</b>                                        |              |                                |                                      |                       |                             |                         |
| Acquisitions/Development                                                     | 46,998       | 23,618                         | 7,384                                | 4,248                 |                             | 11,748                  |
| Operations (due to additions to buildings and improvements)                  | 49,598       | 17,039                         | 12,753                               | 9,819                 | 4,728                       | 5,259                   |
| Increase in depreciation and amortization                                    | 96,596       | 40,657                         | 20,137                               | 14,067                | 4,728                       | 17,007                  |
| <b>General and administrative:</b>                                           |              |                                |                                      |                       |                             |                         |
| Acquisitions/Development and Other                                           | 7,366        |                                |                                      | 1,948                 |                             | 5,418                   |
| Operations                                                                   | (2,367 )     | 2,965                          | (1,064 )                             | 438                   | 1,086                       | (5,792 ) <sup>(5)</sup> |
| Increase (decrease) in general and administrative                            | 4,999        | 2,965                          | (1,064 )                             | 2,386                 | 1,086                       | (374 )                  |
| <b>Impairment and other losses</b>                                           | 71,072       |                                |                                      | 595                   |                             | 70,477                  |
| Total increase in expenses                                                   | \$ 291,625   | \$ 87,277                      | \$ 55,898                            | \$ 45,848             | \$ 12,453                   | \$ 90,149               |

- (1) Results from an \$11,715 increase in BMS operating expenses and a \$12,792 increase in property level operating expenses.
- (2) Includes \$6,990 of write-offs for receivables arising from the straight-lining of rents and \$2,492 of bad debt expense, all relating to tenants that filed for bankruptcy. Of these amounts, \$3,931 and \$1,203, respectively, relate to Circuit City.
- (3) Primarily due to higher bad debt expense, partially offset by lower real estate taxes.
- (4) Results primarily from an increase in the elimination of inter-company fees of our operating segments upon consolidation.
- (5) Primarily due to a \$15,344 reduction from the mark-to-market of investments in our deferred compensation plan (for which there is a corresponding reduction in interest and other investment (loss) income, net ), partially offset by a \$4,600 pension termination cost, higher compensation expense and professional fees.

## Results of Operations - Year Ended December 31, 2008 Compared to December 31, 2007 continued

### Income Applicable to Alexander's

Our 32.5% share of Alexander's net income (comprised of our share of Alexander's net income, management, leasing and development fees) was \$36,671,000 for the year ended December 31, 2008, compared to \$50,589,000 for the prior year, a decrease of \$13,918,000. The decrease was primarily due to \$6,583,000 of income for our share of the reversal of accrued stock appreciation rights compensation expense, compared to \$14,280,000 of income from such reversal in the prior year.

### Income (loss) Applicable to Toys

Our 32.7% share of Toys' financial results (comprised of our share of Toys' net income, interest income on loans receivable, and management fees) for the years ended December 31, 2008 and December 31, 2007 are for Toys' fiscal periods from November 4, 2007 to November 1, 2008 and October 29, 2006 to November 3, 2007, respectively. For the year ended December 31, 2008, our income applicable to Toys was \$2,380,000, or \$62,032,000 before our share of Toys' income tax expense, compared to a loss of \$14,337,000 or \$25,235,000 before our share of Toys' income tax benefit in the prior year.

### (Loss) Income from Partially Owned Entities

Summarized below are the components of (loss) income from partially owned entities for the years ended December 31, 2008 and 2007.

| (Amounts in thousands)                                                             | <b>For The Year<br/>Ended December 31,</b> |                  |
|------------------------------------------------------------------------------------|--------------------------------------------|------------------|
|                                                                                    | <b>2008</b>                                | <b>2007</b>      |
| Lexington                                                                          | \$ (105,630 ) <sup>(1)</sup>               | \$ 2,211         |
| India Real Estate Ventures 4% to 50% share of equity in net loss                   | (3,336 )                                   |                  |
| GMH Communities L.P. 13.8% share of equity in net income (sold in June 2008)       |                                            | 6,463            |
| H Street partially owned entities 50% share of equity in net income <sup>(2)</sup> |                                            | 5,923            |
| Other <sup>(3)</sup>                                                               | (86,912 ) <sup>(4)</sup>                   | 17,294           |
|                                                                                    | <b>\$ (195,878 )</b>                       | <b>\$ 31,891</b> |

(1) Includes \$107,882 of non-cash impairment losses on our investment in Lexington.

(2) As of April 30, 2007, our H Street subsidiary acquired the remaining 50% interest in these entities and began to consolidate this investment into our consolidated financial statements and no longer account for it under the equity method.

(3) Includes equity in net earnings of partially owned office buildings in New York and Washington, DC, the Monmouth Mall, Dune Capital LP, Verde, 85 10<sup>th</sup> Avenue Associates and others.

(4) Includes \$96,037 of non-cash charges for the write-off of our share of certain partially owned entities' development costs, including \$37,000 for Downtown Crossing, Boston and \$23,000 for the arena move /Moynihan East portions of the Farley project.

## Results of Operations - Year Ended December 31, 2008 Compared to December 31, 2007 continued

### Interest and Other Investment (Loss) Income, net

Interest and other investment (loss) income, net (comprised of mark-to-market of derivative positions, interest income on mezzanine loans receivable, other interest and dividend income and impairment losses on marketable securities) was a loss of \$2,682,000 for the year ended December 31, 2008, compared to income of \$226,425,000 for the year ended December 31, 2007, a decrease of \$229,107,000. This decrease resulted primarily from:

(Amounts in thousands)

|                                                                                                                                                              |               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Derivative positions in marketable equity securities net loss of \$33,602 in 2008 compared to a net gain of \$113,547 in 2007                                | \$ (147,149 ) |
| Marketable equity securities - impairment losses                                                                                                             | (76,742 )     |
| MPH mezzanine loan income of \$10,300 from the reversal of a portion of the 2007 loan loss accrual in 2008, compared to a \$57,000 loan loss accrual in 2007 | 67,300        |
| Decrease in interest income as a result of lower average yields on investments (2.3% in 2008 compared to 5.0% in 2007)                                       | (28,250 )     |
| Decrease in interest income on mezzanine loans as a result of lower average investments (\$480,558 in 2008 compared to \$611,943 in 2007)                    | (20,522 )     |
| Decrease in income on investments in our deferred compensation plan                                                                                          | (15,344 )     |
| Other, net                                                                                                                                                   | (8,400 )      |
|                                                                                                                                                              | \$ (229,107 ) |

### Interest and Debt Expense

Interest and debt expense was \$635,724,000 for the year ended December 31, 2008, compared to \$599,804,000 in the year ended December 31, 2007, an increase of \$35,920,000. This increase was primarily due to the full year effect of interest expense from properties acquired during 2007 and property level refinancings during 2008, partially offset by a decrease in weighted average interest rates on variable rate debt.

### Net Gain on Early Extinguishment of Debt

In the year ended December 31, 2008, we had a \$9,820,000 net gain from the early extinguishment of debt which resulted primarily from purchases of certain of our convertible senior debentures.

**Net Gain on Disposition of Wholly Owned and Partially Owned Assets other than Depreciable Real Estate**

Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate was \$7,757,000 in the year ended December 31, 2008, compared to \$39,493,000 in the year ended December 31, 2007. The year ended December 31, 2008 includes a \$3,691,000 net gain on sale of residential condominiums, a \$2,038,000 net gain on disposition of our 13.8% interest in GMH and \$2,028,000 for net gains on sale of marketable securities. The \$39,493,000 net gain in the year ended December 31, 2007 represents net gains on sale of marketable securities, including \$23,090,000 from the sale of McDonald's common shares.

## Results of Operations - Year Ended December 31, 2008 Compared to December 31, 2007 continued

### Income Tax Expense

In the year ended December 31, 2008, we had an income tax benefit of \$204,537,000, compared to an expense of \$9,179,000 in the prior year, a decrease of \$213,716,000. The decrease results primarily from a \$222,174,000 reversal of deferred taxes recorded in connection with the acquisition of H Street. We were required to record these deferred tax liabilities because H Street and its partially owned entities were operated as C Corporations at the time they were acquired. As of January 16, 2008, we had completed all of the actions necessary to enable these entities to elect REIT status effective for the tax year beginning on January 1, 2008. Consequently, in the first quarter of 2008, we reversed the deferred tax liabilities and recognized an income tax benefit of \$222,174,000 in our consolidated statement of income.

### Discontinued Operations

The combined results of discontinued operations for the years ended December 31, 2008 and 2007 include the operating results of 1999 K Street, which was sold on September 1, 2009; Americold, which was sold on March 31, 2008; Tysons Dulles Plaza, which was sold on June 10, 2008; 11 acres of land we acquired as part of our acquisition of H Street, which was sold in September 2007; Vineland, New Jersey, which was sold on July 16, 2007; Crystal Mall Two, which was sold on August 9, 2007; and Arlington Plaza, which was sold on October 17, 2007.

(Amounts in thousands)

|                                         | <b>For the Year Ended December 31,</b> |             |
|-----------------------------------------|----------------------------------------|-------------|
|                                         | <b>2008</b>                            | <b>2007</b> |
| Total revenues                          | \$ 226,726                             | \$ 870,857  |
| Total expenses                          | 223,326                                | 868,216     |
| Net income (loss)                       | 3,400                                  | 2,641       |
| Net gain on sale of Americold           | 112,690                                |             |
| Net gain on sale of Tysons Dulles Plaza | 56,831                                 |             |
| Net gain on sale of Arlington Plaza     |                                        | 33,890      |
| Net gain on sale of Crystal Mall Two    |                                        | 19,893      |
| Net gains on sale of other real estate  | 692                                    | 11,198      |
| Income from discontinued operations     | \$ 173,613                             | \$ 67,622   |

### Net Income Attributable to Noncontrolling Interests, Including Unit Distributions

Net income attributable to noncontrolling interests for the years ended December 31, 2008 and 2007 is comprised of (i) allocations of income to redeemable noncontrolling interests of \$33,327,000 and \$50,514,000, respectively, (ii) net loss attributable to noncontrolling interests in consolidated subsidiaries of \$3,263,000 and \$3,494,000, respectively and (iii) preferred unit distributions of the Operating Partnership of \$22,084,000 and \$19,274,000, respectively. The decrease of \$17,187,000 in allocations of income to redeemable noncontrolling interests resulted primarily from lower net income subject to allocation to the unitholders.

### **Preferred Share Dividends**

Preferred share dividends were \$57,091,000 for the year ended December 31, 2008, compared to \$57,177,000 for the prior year.

## Results of Operations - Year Ended December 31, 2008 Compared to December 31, 2007 continued

### Same Store EBITDA

Below are the same store EBITDA results on a GAAP basis and cash basis for each of our segments for the year ended December 31, 2008, compared to the year ended December 31, 2007.

|                                                                                                                                | New York<br>Office | Washington,<br>DC<br>Office | Retail     | Merchandise<br>Mart |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------|------------|---------------------|
| (Amounts in thousands)                                                                                                         |                    |                             |            |                     |
| EBITDA for the year ended December 31, 2008                                                                                    | \$ 586,798         | \$ 458,014                  | \$ 332,773 | \$ 116,437          |
| Add-back: non-property level overhead expenses included above                                                                  | 20,217             | 26,548                      | 29,862     | 29,254              |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses                                        | (50,070 )          | (80,741 )                   | (52,154 )  | (1,281 )            |
| GAAP basis same store EBITDA for the year ended December 31, 2008                                                              | 556,945            | 403,821                     | 310,481    | 144,410             |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments             | (69,926 )          | (15,607 )                   | (34,018 )  | (8,819 )            |
| Cash basis same store EBITDA for the year ended December 31, 2008                                                              | \$ 487,019         | \$388,214                   | \$276,463  | \$135,591           |
| EBITDA for the year ended December 31, 2007                                                                                    | \$ 514,198         | \$449,702                   | \$327,738  | \$114,082           |
| Add-back: non-property level overhead expenses included above                                                                  | 17,252             | 27,612                      | 27,476     | 28,168              |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses                                        | (7,157 )           | (90,780 )                   | (58,891 )  | 2,410               |
| GAAP basis same store EBITDA for the year ended December 31, 2007                                                              | 524,293            | 386,534                     | 296,323    | 144,660             |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments             | (72,685 )          | (25,782 )                   | (34,258 )  | (6,152 )            |
| Cash basis same store EBITDA for the year ended December 31, 2007                                                              | \$ 451,608         | \$ 360,752                  | \$ 262,065 | \$ 138,508          |
| Increase (decrease) in GAAP basis same store EBITDA for the year ended December 31, 2008 over the year ended December 31, 2007 | \$ 32,652          | \$ 17,287                   | \$ 14,158  | \$ (250 )           |
| Increase (decrease) in Cash basis same store EBITDA for the year ended December 31, 2008 over the year ended December 31, 2007 | \$ 35,411          | \$ 27,462                   | \$ 14,398  | \$ (2,917 )         |

|                                                       |      |      |      |         |
|-------------------------------------------------------|------|------|------|---------|
| % increase (decrease) in GAAP basis same store EBITDA | 6.2% | 4.5% | 4.8% | (0.2% ) |
| % increase (decrease) in Cash basis same store EBITDA | 7.8% | 7.6% | 5.5% | (2.1% ) |

## Supplemental Information

### Net Income and EBITDA by Segment for the Three Months Ended December 31, 2009 and December 31, 2008

(Amounts in thousands)

**For the Three Months Ended December 31, 2009**

|                                                                                                       | <b>Total</b> | <b>New<br/>York<br/>Office</b> | <b>Washington,<br/>DC<br/>Office</b> | <b>Retail</b> | <b>Merchandise<br/>Mart</b> | <b>Toys</b> | <b>Other <sup>(2)</sup></b> |
|-------------------------------------------------------------------------------------------------------|--------------|--------------------------------|--------------------------------------|---------------|-----------------------------|-------------|-----------------------------|
| Property rentals                                                                                      | \$529,064    | \$189,673                      | \$138,945                            | \$96,860      | \$60,537                    | \$          | \$43,049                    |
| Straight-line rents:                                                                                  |              |                                |                                      |               |                             |             |                             |
| Contractual rent increases                                                                            | 11,476       | 4,108                          | 2,594                                | 4,154         | 485                         |             | 135                         |
| Amortization of free rent                                                                             | 11,177       | 6,173                          | 2,428                                | 2,251         | 90                          |             | 235                         |
| Amortization of acquired below- market leases, net                                                    | 16,211       | 9,611                          | 774                                  | 4,719         | 18                          |             | 1,089                       |
| Total rentals                                                                                         | 567,928      | 209,565                        | 144,741                              | 107,984       | 61,130                      |             | 44,508                      |
| Tenant expense reimbursements                                                                         | 91,048       | 32,932                         | 16,505                               | 35,841        | 2,492                       |             | 3,278                       |
| Fee and other income:                                                                                 |              |                                |                                      |               |                             |             |                             |
| Tenant cleaning fees                                                                                  | 15,140       | 21,320                         |                                      |               |                             |             | (6,180 )                    |
| Management and leasing fees                                                                           | 3,201        | 848                            | 2,247                                | 483           | 63                          |             | (440 )                      |
| Lease termination fees                                                                                | 1,169        | 316                            | 308                                  | 364           | 181                         |             |                             |
| Other                                                                                                 | 40,517       | 4,257                          | 32,701                               | 381           | 3,353                       |             | (175 )                      |
| Total revenues                                                                                        | 719,003      | 269,238                        | 196,502                              | 145,053       | 67,219                      |             | 40,991                      |
| Operating expenses                                                                                    | 273,224      | 111,818                        | 59,361                               | 51,087        | 35,251                      |             | 15,707                      |
| Depreciation and amortization                                                                         | 140,658      | 44,039                         | 39,221                               | 26,329        | 15,371                      |             | 15,698                      |
| General and administrative                                                                            | 51,307       | 4,232                          | 5,671                                | 5,487         | 6,495                       |             | 29,422                      |
| Impairment and other losses                                                                           | 87,823       |                                | 24,875                               | 23,649        |                             |             | 39,299                      |
| Total expenses                                                                                        | 553,012      | 160,089                        | 129,128                              | 106,552       | 57,117                      |             | 100,126                     |
| Operating income (loss)                                                                               | 165,991      | 109,149                        | 67,374                               | 38,501        | 10,102                      |             | (59,135 )                   |
| Income applicable to Alexander's                                                                      | 7,485        | 193                            |                                      | 193           |                             |             | 7,099                       |
| Loss applicable to Toys                                                                               | (26,597 )    |                                |                                      |               |                             | (26,597)    |                             |
| (Loss) income from partially owned entities                                                           | (24,315 )    | 1,139                          | (654 )                               | 1,371         | (35 )                       |             | (26,136 )                   |
| Interest and other investment income, net                                                             | (52,722 )    | 164                            | 216                                  | 22            | 13                          |             | (53,137 )                   |
| Interest and debt expense                                                                             | (159,255)    | (33,529 )                      | (34,972 )                            | (22,975 )     | (13,071)                    |             | (54,708 )                   |
| Net loss on early extinguishment of debt                                                              | (52,911 )    |                                |                                      |               |                             |             | (52,911 )                   |
| Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate | 1,209        |                                |                                      |               |                             |             | 1,209                       |
| (Loss) income before income taxes                                                                     | (141,115)    | 77,116                         | 31,964                               | 17,112        | (2,991 )                    | (26,597)    | (237,719)                   |
| Income tax expense                                                                                    | (4,964 )     | (487 )                         | (345 )                               | (3 )          | (385 )                      |             | (3,744 )                    |
| (Loss) income from continuing operations                                                              | (146,079)    | 76,629                         | 31,619                               | 17,109        | (3,376 )                    | (26,597)    | (241,463)                   |
| Income from discontinued operations                                                                   | 2,629        |                                |                                      | 2,629         |                             |             |                             |
| Net (loss) income                                                                                     | (143,450)    | 76,629                         | 31,619                               | 19,738        | (3,376 )                    | (26,597)    | (241,463)                   |
| Net loss (income) attributable to noncontrolling interests, including unit distributions              | 6,527        | (2,660 )                       |                                      | 285           |                             |             | 8,902                       |
| Net (loss) income attributable to Vornado                                                             | (136,923)    | 73,969                         | 31,619                               | 20,023        | (3,376 )                    | (26,597)    | (232,561)                   |
| Interest and debt expense <sup>(1)</sup>                                                              | 214,411      | 31,910                         | 35,792                               | 24,494        | 13,299                      | 37,493      | 71,423                      |

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|                                              |           |           |           |          |          |          |             |
|----------------------------------------------|-----------|-----------|-----------|----------|----------|----------|-------------|
| Depreciation and amortization <sup>(1)</sup> | 189,261   | 42,686    | 42,484    | 27,179   | 15,499   | 30,859   | 30,554      |
| Income tax (benefit) expense <sup>(1)</sup>  | (13,611 ) | 487       | 348       | 3        | 388      | (20,520) | 5,683       |
| EBITDA <sup>(1)</sup>                        | \$253,138 | \$149,052 | \$110,243 | \$71,699 | \$25,810 | \$21,235 | \$(124,901) |

EBITDA above includes certain items that affect comparability, which are described in the Overview.

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See notes on page 93.

**Supplemental Information continued****Net Income and EBITDA by Segment for the Three Months Ended December 31, 2009 and December 31, 2008 continued**

(Amounts in thousands)

**For the Three Months Ended December 31, 2008**

|                                                                                                       | <b>Total</b> | <b>New York Office</b> | <b>Washington, DC Office</b> | <b>Retail</b> | <b>Merchandise Mart</b> | <b>Toys</b> | <b>Other <sup>(2)</sup></b> |
|-------------------------------------------------------------------------------------------------------|--------------|------------------------|------------------------------|---------------|-------------------------|-------------|-----------------------------|
| Property rentals                                                                                      | \$519,223    | \$183,191              | \$131,510                    | \$88,557      | \$65,794                | \$          | \$50,171                    |
| Straight-line rents:                                                                                  |              |                        |                              |               |                         |             |                             |
| Contractual rent increases                                                                            | 12,383       | 7,163                  | (97 )                        | 3,703         | 1,423                   |             | 191                         |
| Amortization of free rent                                                                             | 15,441       | 6,637                  | 5,019                        | 3,837         | 41                      |             | (93 )                       |
| Amortization of acquired below- market leases, net                                                    | 22,521       | 14,807                 | 1,118                        | 6,749         | 77                      |             | (230 )                      |
| Total rentals                                                                                         | 569,568      | 211,798                | 137,550                      | 102,846       | 67,335                  |             | 50,039                      |
| Tenant expense reimbursements                                                                         | 88,340       | 32,558                 | 16,840                       | 30,152        | 3,852                   |             | 4,938                       |
| Fee and other income:                                                                                 |              |                        |                              |               |                         |             |                             |
| Tenant cleaning fees                                                                                  | 14,985       | 18,418                 |                              |               |                         |             | (3,433 )                    |
| Management and leasing fees                                                                           | 3,071        | 1,376                  | 1,957                        | 699           | 43                      |             | (1,004 )                    |
| Lease termination fees                                                                                | 4,165        | 1,038                  | 1,598                        | 1,254         | 275                     |             |                             |
| Other                                                                                                 | 15,024       | 3,823                  | 7,558                        | 587           | 1,310                   |             | 1,746                       |
| Total revenues                                                                                        | 695,153      | 269,011                | 165,503                      | 135,538       | 72,815                  |             | 52,286                      |
| Operating expenses                                                                                    | 276,054      | 105,167                | 58,920                       | 56,595        | 35,224                  |             | 20,148                      |
| Depreciation and amortization                                                                         | 139,013      | 47,376                 | 32,356                       | 28,606        | 13,509                  |             | 17,166                      |
| General and administrative                                                                            | 44,859       | 5,311                  | 7,724                        | 6,758         | 7,333                   |             | 17,733                      |
| Impairment and other losses                                                                           | 73,438       |                        |                              | 595           |                         |             | 72,843                      |
| Total expenses                                                                                        | 533,364      | 157,854                | 99,000                       | 92,554        | 56,066                  |             | 127,890                     |
| Operating income (loss)                                                                               | 161,789      | 111,157                | 66,503                       | 42,984        | 16,749                  |             | (75,604 )                   |
| Income applicable to Alexander's                                                                      | 20,267       | 195                    |                              | 121           |                         |             | 19,951                      |
| Loss applicable to Toys                                                                               | (39,130 )    |                        |                              |               |                         | (39,130)    |                             |
| (Loss) income from partially owned entities                                                           | (166,711)    | 1,476                  | 1,625                        | (168 )        | 128                     |             | (169,772)                   |
| Interest and other investment (loss) income, net                                                      | (50,217 )    | 323                    | 379                          | 72            | 135                     |             | (51,126 )                   |
| Interest and debt expense                                                                             | (160,862)    | (35,114 )              | (32,423 )                    | (22,806 )     | (12,958)                |             | (57,561 )                   |
| Net gain on early extinguishment of debt                                                              | 9,820        |                        |                              |               |                         |             | 9,820                       |
| Net loss on disposition of wholly owned and partially owned assets other than depreciable real estate | (789 )       |                        |                              |               |                         |             | (789 )                      |
| (Loss) income before income taxes                                                                     | (225,833)    | 78,037                 | 36,084                       | 20,203        | 4,054                   | (39,130)    | (325,081)                   |
| Income tax (expense) benefit                                                                          | (2,633 )     |                        | 57                           | (75 )         | (1 )                    |             | (2,614 )                    |
| (Loss) income from continuing operations                                                              | (228,466)    | 78,037                 | 36,141                       | 20,128        | 4,053                   | (39,130)    | (327,695)                   |
| Income from discontinued operations                                                                   | 799          |                        | 35                           | 764           |                         |             |                             |
| Net (loss) income                                                                                     | (227,667)    | 78,037                 | 36,176                       | 20,892        | 4,053                   | (39,130)    | (327,695)                   |
| Net loss (income) attributable to noncontrolling interests, including unit distributions              | 14,987       | (1,396 )               |                              | 53            | (125 )                  |             | 16,455                      |
| Net (loss) income attributable to Vornado                                                             | (212,680)    | 76,641                 | 36,176                       | 20,945        | 3,928                   | (39,130)    | (311,240)                   |

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|                                              |           |           |           |          |          |          |             |
|----------------------------------------------|-----------|-----------|-----------|----------|----------|----------|-------------|
| Interest and debt expense <sup>(1)</sup>     | 200,573   | 33,596    | 33,352    | 26,108   | 13,249   | 38,842   | 55,426      |
| Depreciation and amortization <sup>(1)</sup> | 179,274   | 44,961    | 33,655    | 30,782   | 13,646   | 33,343   | 22,887      |
| Income tax (benefit) expense <sup>(1)</sup>  | (20,571 ) |           | (54 )     | 75       | 55       | (23,126) | 2,479       |
| EBITDA <sup>(1)</sup>                        | \$146,596 | \$155,198 | \$103,129 | \$77,910 | \$30,878 | \$9,929  | \$(230,448) |

EBITDA above includes certain items that affect comparability, which are described in the Overview.

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See notes on the following page.

## Supplemental Information continued

### Net Income and EBITDA by Segment for the Three Months Ended December 31, 2009 and December 31, 2008 continued

### Notes to preceding tabular information:

(1) Interest and debt expense, depreciation and amortization and income tax (benefit) expense in the reconciliation of net income to EBITDA include our share of these items from partially owned entities.

(2) Other EBITDA is comprised of:

| (Amounts in thousands)                                                          | For the Three Months<br>Ended December 31, |              |
|---------------------------------------------------------------------------------|--------------------------------------------|--------------|
|                                                                                 | 2009                                       | 2008         |
| Alexander s                                                                     | \$ 16,474                                  | \$ 27,503    |
| Lexington                                                                       | 15,774                                     | 5,879        |
| 555 California Street                                                           | 12,872                                     | 12,762       |
| Hotel Pennsylvania                                                              | 7,285                                      | 12,497       |
| Industrial warehouses                                                           | 835                                        | 1,239        |
| Other investments                                                               | 5,077                                      | 110          |
|                                                                                 | 58,317                                     | 59,990       |
| Investment income and other (1)                                                 | 12,461                                     | 18,654       |
| Corporate general and administrative expenses (1)                               | (23,190 )                                  | (26,761)     |
| Net loss attributable to noncontrolling interests, including unit distributions | 8,902                                      | 16,455       |
| Net loss on early extinguishment of debt                                        | (52,911 )                                  |              |
| Non-cash assets write-downs:                                                    |                                            |              |
| Mezzanine loans receivable                                                      | (68,000 )                                  |              |
| Investment in Lexington                                                         |                                            | (100,707)    |
| Marketable equity securities                                                    | (3,361 )                                   | (55,471)     |
| Real estate primarily development projects:                                     |                                            |              |
| Wholly owned entities                                                           | (39,299 )                                  | (72,843)     |
| Partially owned entities                                                        | (17,820 )                                  | (61,837)     |
| Derivative positions in marketable equity securities                            |                                            | (7,928)      |
|                                                                                 | \$ (124,901 )                              | \$ (230,448) |

(1) The amounts in these captions (for this table only) exclude the mark-to-market of our deferred compensation plan assets and offsetting liability.



## Supplemental Information continued

Below are the same store EBITDA results on a GAAP and cash basis for each of our segments for the three months ended December 31, 2009 compared to the three months ended December 31, 2008.

|                                                                                                                                                | New York<br>Office | Washington,<br>DC<br>Office | Retail    | Merchandise<br>Mart |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------|-----------|---------------------|
| (Amounts in thousands)                                                                                                                         |                    |                             |           |                     |
| EBITDA for the three months ended December 31, 2009                                                                                            | \$ 149,052         | \$ 110,243                  | \$ 71,699 | \$ 25,810           |
| Add-back: non-property level overhead expenses included above                                                                                  | 4,232              | 5,671                       | 5,487     | 6,495               |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses                                                        | (298 )             | (2,904 )                    | 11,057    | 886                 |
| GAAP basis same store EBITDA for the three months ended December 31, 2009                                                                      | 152,986            | 113,010                     | 88,243    | 33,191              |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments                             | (16,414 )          | (5,294 )                    | (6,348 )  | (2,433 )            |
| Cash basis same store EBITDA for the three months ended December 31, 2009                                                                      | \$ 136,572         | \$107,716                   | \$81,895  | \$30,758            |
| EBITDA for the three months ended December 31, 2008                                                                                            | \$ 155,198         | \$103,129                   | \$77,910  | \$30,878            |
| Add-back: non-property level overhead expenses included above                                                                                  | 5,311              | 7,724                       | 7,356     | 7,333               |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses                                                        | (4,353 )           | (2,442 )                    | (579 )    | (671 )              |
| GAAP basis same store EBITDA for the three months ended December 31, 2008                                                                      | 156,156            | 108,411                     | 84,687    | 37,540              |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments                             | (25,014 )          | (5,549 )                    | (10,014 ) | (1,541 )            |
| Cash basis same store EBITDA for the three months ended December 31, 2008                                                                      | \$ 131,142         | \$ 102,862                  | \$ 74,673 | \$ 35,999           |
| Increase (decrease) in GAAP basis same store EBITDA for the three months ended December 31, 2009 over the three months ended December 31, 2008 | \$ (3,170 )        | \$ 4,599                    | \$ 3,556  | \$ (4,349 )         |
| Increase (decrease) in Cash basis same store EBITDA for the three months ended December 31, 2009 over the three months ended December 31, 2008 | \$ 5,430           | \$ 4,854                    | \$ 7,222  | \$ (5,241 )         |
| % increase (decrease) in GAAP basis same store EBITDA                                                                                          | (2.0% )            | 4.2%                        | 4.2%      | (11.6% )            |

|                                                       |      |      |      |          |
|-------------------------------------------------------|------|------|------|----------|
| % increase (decrease) in Cash basis same store EBITDA | 4.1% | 4.7% | 9.7% | (14.6% ) |
|-------------------------------------------------------|------|------|------|----------|

## Supplemental Information continued

Our revenues and expenses are subject to seasonality during the year which impacts quarterly net earnings, cash flows and funds from operations, and therefore comparisons of the current quarter to the previous quarter. The business of Toys is highly seasonal. Historically, Toys' fourth quarter net income, which we recorded on a one-quarter lag basis in our first quarter, accounts for more than 80% of its fiscal year net income. The Office and Merchandise Mart segments have historically experienced higher utility costs in the first and third quarters of the year. The Merchandise Mart segment also has experienced higher earnings in the second and fourth quarters of the year due to major trade shows occurring in those quarters. The Retail segment revenue in the fourth quarter is typically higher due to the recognition of percentage rental income.

Below are the same store EBITDA results on a GAAP and cash basis for each of our segments for the three months ended December 31, 2009 compared to the three months ended September 30, 2009.

| (Amounts in thousands)                                                                                             | New York<br>Office | Washington,<br>DC<br>Office | Retail    | Merchandise<br>Mart |
|--------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------|-----------|---------------------|
| EBITDA for the three months ended December 31, 2009                                                                | \$ 149,052         | \$ 110,243                  | \$ 71,699 | \$ 25,810           |
| Add-back: non-property level overhead expenses included above                                                      | 4,232              | 5,671                       | 5,487     | 6,495               |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses                            | (75 )              | (2,904 )                    | 10,979    | 140                 |
| GAAP basis same store EBITDA for the three months ended December 31, 2009                                          | 153,209            | 113,010                     | 88,165    | 32,445              |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (16,637 )          | (5,294 )                    | (5,828 )  | (2,433 )            |
| Cash basis same store EBITDA for the three months ended December 31, 2009                                          | \$ 136,572         | \$107,716                   | \$82,337  | \$30,012            |
| EBITDA for the nine months ended September 30, 2009 <sup>(1)</sup>                                                 | \$ 146,875         | \$149,242                   | \$82,844  | \$26,311            |
| Add-back: non-property level overhead expenses included above                                                      | 4,895              | 6,079                       | 6,802     | 7,198               |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses                            | (1,708 )           | (42,323 )                   | (5,207 )  | (3,529 )            |
| GAAP basis same store EBITDA for the three months ended September 30, 2009                                         | 150,062            | 112,998                     | 84,439    | 29,980              |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (16,714 )          | (6,860 )                    | (7,893 )  | (184 )              |
| Cash basis same store EBITDA for the three months ended September 30, 2009                                         | \$ 133,348         | \$ 106,138                  | \$ 76,546 | \$ 29,796           |
|                                                                                                                    | 3,147              | \$ 12                       | \$ 3,726  | \$ 2,465            |

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Increase in GAAP basis same store EBITDA for the three months ended December 31, 2009 over the three months ended September 30, 2009 \$

Increase in Cash basis same store EBITDA for the three months ended December 31, 2009 over the three months ended September 30, 2009 \$ 3,224 \$ 1,578 \$ 5,791 \$ 216

% increase in GAAP basis same store EBITDA 2.1% 0.0% 4.4% 8.2%

% increase in Cash basis same store EBITDA 2.4% 1.5% 7.6% 0.7%

(1) Below is a reconciliation of our net income (loss) to EBITDA for the three months ended September 30, 2009.

| (Amounts in thousands)                                                                  | New York<br>Office | Washington,<br>DC<br>Office | Retail    | Merchandise<br>Mart |
|-----------------------------------------------------------------------------------------|--------------------|-----------------------------|-----------|---------------------|
| Net income (loss) attributable to Vornado for the three months ended September 30, 2009 | \$ 73,244          | \$ 79,099                   | \$ 33,798 | \$ (1,623 )         |
| Interest and debt expense                                                               | 31,945             | 32,980                      | 23,978    | 13,315              |
| Depreciation and amortization                                                           | 41,101             | 37,116                      | 25,029    | 13,772              |
| Income tax expense                                                                      | 585                | 47                          | 39        | 847                 |
| EBITDA for the three months ended September 30, 2009                                    | \$ 146,875         | \$ 149,242                  | \$ 82,844 | \$ 26,311           |

## Related Party Transactions

### *Transactions with Affiliates and Officers and Trustees*

#### *Alexander's*

We own 32.4% of Alexander's. Steven Roth, the Chairman of our Board, and Michael D. Fascitelli, our President and Chief Executive Officer, are officers and directors of Alexander's. We provide various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 3 - Investments in Partially Owned Entities to our consolidated financial statements in this Annual Report on Form 10-K.

On March 2, 2009, Mr. Roth and Mr. Fascitelli each exercised 150,000 stock appreciation rights ( SARs ) which were scheduled to expire on March 4, 2009 and each received gross proceeds of \$11,419,000.

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

On September 15, 2008 and October 14, 2008, Mr. Roth exercised an aggregate of 200,000 SARs which were scheduled to expire on March 4, 2009 and received gross proceeds of \$62,809,000.

#### *Interstate Properties ( Interstate )*

Interstate is a general partnership in which Mr. Roth is the managing general partner. David Mandelbaum and Russell B. Wight, Jr., Trustees of Vornado and Directors of Alexander's, are Interstate's two other partners. As of December 31, 2009, Interstate and its partners beneficially owned approximately 7.3% of the common shares of beneficial interest of Vornado and 27.2% of Alexander's common stock.

We manage and lease the real estate assets of Interstate pursuant to a management agreement for which we receive an annual fee equal to 4% of annual base rent and percentage rent. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on sixty days' notice at the end of the term.

We believe, based upon comparable fees charged by other real estate companies, that the management agreement terms are fair to us. We earned \$782,000, \$803,000 and \$800,000 of management fees under the agreement for the years ended December 31, 2009, 2008 and 2007, respectively.

## Liquidity and Capital Resources

We anticipate that cash flow from continuing operations over the next twelve months will be adequate to fund our business operations, cash distributions to unitholders of the Operating Partnership, cash dividends to shareholders, debt amortization and recurring capital expenditures. Capital requirements for significant acquisitions and development expenditures may require funding from borrowings and/or equity offerings.

We may from time to time purchase or retire outstanding debt or equity securities. Such purchases, if any, will depend on prevailing market conditions, liquidity requirements and other factors. The amounts involved in connection with these transactions could be material to our consolidated financial statements.

We may determine to raise capital for future real estate acquisitions through an institutional investment fund. We would serve as the general partner of the fund and would also expect to be a limited partner of the fund and have the potential to earn certain incentives based on the fund's performance. The fund may serve as our exclusive investment vehicle for a limited period of time for all investments that fit within the fund's investment parameters. If we determine to raise capital through a fund, the partnership interests offered would not be registered under the Securities Act of 1933 and could not be offered or sold in the United States absent registration under that act or an applicable exemption from those registration requirements.

### *Acquisitions and Investments*

We did not make any significant investments in real estate during 2009.

### *Financings*

In April 2009, we sold 17,250,000 common shares, including underwriters' over-allotment, in an underwritten public offering pursuant to an effective registration statement at an initial public offering price of \$43.00 per share. We received net proceeds of \$710,226,000, after underwriters' discount and offering expenses and contributed the net proceeds to the Operating Partnership in exchange for 17,250,000 Class A units of the Operating Partnership.

On September 30, 2009, we completed a public offering of \$460,000,000 principal amount of 7.875% callable senior unsecured 30-year notes (NYSE: VNOD) due October 1, 2039. The notes were sold to the public at par and may be redeemed at our option, in whole or in part, beginning in October 2014 at a price equal to the principal amount plus accrued and unpaid interest. We received net proceeds of approximately \$446,000,000 from the offering which were used to repay debt and for general corporate purposes.

During 2009, we purchased \$1,912,724,000 (aggregate face amount) of our convertible senior debentures and \$352,740,000 (aggregate face amount) of our senior unsecured notes for \$1,877,510,000 and \$343,694,000 in cash, respectively. This debt was acquired through tender offers and in the open market and has been retired. We also repaid \$650,285,000 of existing property level debt and completed \$277,000,000 of property level financings. In connection with the above, we recognized an aggregate net loss of \$25,915,000 from the early extinguishment of debt on our consolidated statement of income.

We continue to evaluate plans to renovate and reposition the Springfield mall; given current economic conditions, that may require us to renegotiate the terms of the existing debt and, accordingly, we have requested that the debt be placed with the special servicer.

#### *Dispositions*

On September 1, 2009, we sold 1999 K Street, a newly developed 250,000 square foot office building in Washington's Central Business District, for \$207,800,000 in cash, which resulted in a net gain of \$41,211,000, which is included as a component of income from discontinued operations on our consolidated statement of income.

During 2009, we sold 15 retail properties in separate transactions for an aggregate of \$55,000,000 in cash, which resulted in net gains aggregating \$4,073,000, which is included as a component of income from discontinued operations on our consolidated statement of income.

## Liquidity and Capital Resources continued

### *Mezzanine Loans*

On June 1, 2009, we were repaid the entire \$41,758,000 balance of the Charles Square Hotel loan including accrued interest. This loan was scheduled to mature in September 2009.

On January 28, 2010, we were repaid the entire \$99,314,000 balance of the Equinox loan including accrued interest. This loan, which we acquired in 2006 for \$57,500,000, was scheduled to mature in February 2013.

### *Certain Future Cash Requirements*

#### *Development and Redevelopment Expenditures*

We are currently engaged in various development/redevelopment projects for which we have budgeted approximately \$200,000,000. Of this amount, \$78,118,000 was expended prior to 2009 and \$50,513,000 was expended during 2009. Substantially all of the estimated costs to complete our development projects aggregating approximately \$71,000,000 are anticipated to be expended during 2010, of which approximately \$18,000,000 is expected to be funded by existing construction loans.

#### *Other Capital Expenditures*

The following table summarizes other anticipated 2010 capital expenditures.

| (Amounts in millions<br>except square foot data)        | <b>Total</b> | <b>New York<br/>Office</b> | <b>Washington, DC<br/>Office</b> | <b>Retail</b> | <b>Merchandise<br/>Mart</b> | <b>Other<br/>(1)</b> |
|---------------------------------------------------------|--------------|----------------------------|----------------------------------|---------------|-----------------------------|----------------------|
| Expenditures to<br>maintain assets                      | \$ 72.0      | \$ 25.0                    | \$ 23.0                          | \$ 5.0        | \$7.0                       | \$ 12.0              |
| Tenant improvements                                     | 105.0        | 42.0                       | 29.0                             | 14.0          | 18.0                        | 2.0                  |
| Leasing commissions                                     | 33.0         | 13.0                       | 7.0                              | 8.0           | 4.0                         | 1.0                  |
| Total Tenant<br>Improvements and<br>Leasing Commissions | 138.0        | 55.0                       | 36.0                             | 22.0          | 22.0                        | 3.0                  |
| <i>Per square foot</i>                                  |              | \$ 45.00                   | \$ 22.50                         | \$ 18.00      | \$22.00                     | (2) \$ 70.00         |

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|                                                         |          |         |         |         |        |            |
|---------------------------------------------------------|----------|---------|---------|---------|--------|------------|
| <i>Per square foot per annum</i>                        |          | \$ 5.50 | \$ 3.00 | \$ 2.50 | \$3.50 | (2)\$ 8.00 |
| Total Capital Expenditures and Leasing Commissions      | \$ 210.0 | \$ 80.0 | \$ 59.0 | \$ 27.0 | \$29.0 | \$ 15.0    |
| <i>Square feet budgeted to be leased (in thousands)</i> |          | 950     | 1,700   | 1,200   | 1,000  |            |
| <i>Weighted average lease term</i>                      |          | 8.0     | 7.0     | 7.5     | 6.5    |            |

(1) Primarily 555 California Street, Hotel Pennsylvania and Warehouses.

(2) Tenant improvements and leasing commissions per square foot budgeted for 2010 leasing activity are \$70.50 (\$4.50 per annum) and \$13.50 (\$2.50 per annum) for Merchandise Mart office and showroom space, respectively.

The table above excludes anticipated capital expenditures of non-consolidated entities, including Alexander's, Toys and Lexington, as these entities fund their capital expenditures without additional equity contributions from us.

### Dividends

On January 13, 2010, we declared a regular quarterly dividend of \$0.65 per common share, payable all in cash on February 22, 2010. This dividend policy, if continued for all of 2010, would require approximately \$507,000,000 of cash in the aggregate for common share dividends. In addition, we expect to pay cash dividends on outstanding preferred shares during 2010 aggregating approximately \$57,000,000.

## Liquidity and Capital Resources continued

### *Financing Activities and Contractual Obligations*

We believe that we have complied with the financial covenants required by our revolving credit facilities and our senior unsecured notes and that as of December 31, 2009 we have the ability to incur a substantial amount of additional indebtedness. We have an effective shelf registration for the offering of our equity securities and debt securities that is not limited in amount due to our status as a well-known seasoned issuer.

Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provides for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

Below is a schedule of our contractual obligations and commitments at December 31, 2009.

(Amounts in thousands)

| Contractual Cash Obligations<br>(principal and interest <sup>(1)</sup> ): | <b>Total</b>         | <b>Less than<br/>1 Year</b> | <b>1</b>            | <b>3 Years</b>      | <b>3</b>            | <b>5 Years</b> | <b>Thereafter</b> |
|---------------------------------------------------------------------------|----------------------|-----------------------------|---------------------|---------------------|---------------------|----------------|-------------------|
| Mortgages and Notes Payable                                               | \$ 10,443,320        | \$ 873,329                  | \$ 3,186,529        | \$ 2,269,631        | \$ 4,113,831        |                |                   |
| Senior Unsecured Notes due 2039<br>(PINES)                                | 1,537,694            | 36,225                      | 108,675             | 108,675             | 1,284,119           |                |                   |
| Operating leases                                                          | 1,172,119            | 27,113                      | 54,048              | 54,492              | 1,036,466           |                |                   |
| Revolving Credit Facilities                                               | 866,536              | 6,733                       | 859,803             |                     |                     |                |                   |
| Exchangeable Senior Debentures<br>due 2025                                | 544,381              | 19,374                      | 525,007             |                     |                     |                |                   |
| Convertible Senior Debentures due<br>2026                                 | 467,020              | 15,852                      | 451,168             |                     |                     |                |                   |
| Senior Unsecured Notes due 2010                                           | 154,794              | 154,794                     |                     |                     |                     |                |                   |
| Senior Unsecured Notes due 2011                                           | 124,781              | 6,574                       | 118,207             |                     |                     |                |                   |
| Purchase obligations, primarily<br>construction commitments               | 98,021               | 98,021                      |                     |                     |                     |                |                   |
| Convertible Senior Debentures due<br>2027                                 | 23,921               | 641                         | 23,280              |                     |                     |                |                   |
| Capital lease obligations                                                 | 20,960               | 707                         | 1,413               | 1,413               | 17,427              |                |                   |
| <b>Total Contractual Cash Obligations</b>                                 | <b>\$ 15,453,547</b> | <b>\$ 1,239,363</b>         | <b>\$ 5,328,130</b> | <b>\$ 2,434,211</b> | <b>\$ 6,451,843</b> |                |                   |
| <b>Commitments:</b>                                                       | <b>\$ 90,406</b>     | <b>\$ 90,406</b>            | <b>\$</b>           | <b>\$</b>           | <b>\$</b>           |                |                   |

Capital commitments to partially  
owned entities

|                           |            |            |          |    |    |
|---------------------------|------------|------------|----------|----|----|
| Standby letters of credit | 37,333     | 32,852     | 4,481    |    |    |
| Other guarantees          | 146        |            | 146      |    |    |
| Total Commitments         | \$ 127,885 | \$ 123,258 | \$ 4,627 | \$ | \$ |

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(1) Interest on variable rate debt is computed using rates in effect at December 31, 2009.

## **Liquidity and Capital Resources    continued**

### ***Financing Activities and Contractual Obligations    continued***

#### *Insurance*

We maintain general liability insurance with limits of \$300,000,000 per occurrence and all risk property and rental value insurance with limits of \$2.0 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of \$150,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, and a \$150,000,000 annual aggregate.

Penn Plaza Insurance Company, LLC ( PPIC ), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of our earthquake insurance coverage and as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ( NBCR ) acts, as defined by TRIPRA. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Our coverage for NBCR losses is up to \$2 billion per occurrence, for which PPIC is responsible for a deductible of \$3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by PPIC.

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

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

#### *Other Commitments and Contingencies*

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of December 31, 2009, the aggregate dollar amount of these guarantees and master leases is approximately \$135,000,000.

At December 31, 2009, \$37,232,000 of letters of credit were outstanding under our \$0.965 billion revolving credit facility. Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

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

We are committed to fund additional capital to certain of our partially owned entities aggregating approximately \$90,406,000. Of this amount, \$71,788,000 is committed to the India Property Fund and is pledged as collateral to its lender.

## Liquidity and Capital Resources continued

### *Litigation*

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

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ( USDC-NJ ) claiming that we had no right to reallocate and therefore continue to collect the \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the \$5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze our right to reallocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York State Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York State Supreme Court. On February 14, 2005, we served an answer in which we asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court's decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court's decision. On January 16, 2007, we filed a motion for the reconsideration of one aspect of the Appellate Court's decision which was denied on March 13, 2007. Discovery is now complete. On October 19, 2009, Stop & Shop filed a motion for leave to amend its pleadings to assert new claims for relief, including a claim for damages in an unspecified amount, and an additional affirmative defense. The motion was argued and submitted for decision on December 18, 2009. The course of future proceedings will depend upon the outcome of Stop & Shop's motion, but we anticipate that a trial date will be set for some time in 2010. We intend to vigorously pursue our claims against Stop & Shop. In our opinion, after consultation with legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flows.

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas and the 555 California Street complex. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above relating to a dispute over the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions issued in 2006, 2007 and 2009, the New York State Supreme Court dismissed all of Mr. Trump's claims, and those decisions were affirmed by the Appellate Division. Mr. Trump cannot further appeal those decisions.

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

## Liquidity and Capital Resources continued

### *Cash Flow for the Year Ended December 31, 2009*

Property rental income is our primary source of cash flow and is dependent upon the occupancy and rental rates of our properties. Other sources of liquidity to fund cash requirements include proceeds from debt financings, including mortgage loans, senior unsecured borrowings, and our revolving credit facilities; proceeds from the issuance of common and preferred equity; and asset sales. Our cash requirements include property operating expenses, capital improvements, tenant improvements, leasing commissions, distributions to common and preferred shareholders, as well as acquisition and development costs. Our cash and cash equivalents were \$535,479,000 at December 31, 2009, a \$991,374,000 decrease over the balance at December 31, 2008. This decrease was the result of the acquisition of our convertible senior debentures and senior unsecured notes during 2009, partially offset by cash flows from operating activities as discussed below.

Our consolidated outstanding debt was \$10,939,615,000 at December 31, 2009, a \$1,498,308,000 decrease over the balance at December 31, 2008. This decrease resulted primarily from the acquisition of our convertible senior debentures and senior unsecured notes during 2009. As of December 31, 2009 and December 31, 2008, \$852,218,000 and \$358,468,000, respectively, was outstanding under our revolving credit facilities. During 2010 and 2011, \$538,458,000 and \$2,448,053,000 of our outstanding debt matures, respectively. We may refinance such debt or choose to repay all or a portion, using existing cash balances or our revolving credit facilities.

Our share of debt of unconsolidated subsidiaries was \$3,149,640,000 at December 31, 2009, a \$46,945,000 decrease from the balance at December 31, 2008.

Cash flows provided by operating activities of \$633,579,000 was comprised of (i) net income of \$128,450,000, (ii) \$620,523,000 of non-cash adjustments, including depreciation and amortization expense, non-cash impairment losses, the effect of straight-lining of rental income, equity in net income of partially owned entities and (iii) distributions of income from partially owned entities of \$30,473,000, partially offset by (iv) the net change in operating assets and liabilities of \$145,867,000.

Net cash used in investing activities of \$242,201,000 was comprised of (i) development and redevelopment expenditures of \$465,205,000, (ii) additions to real estate of \$216,669,000, (iii) purchases of marketable equity securities of \$90,089,000, (iv) purchases of short-term investments of \$55,000,000, (v) investments in partially owned entities of \$38,266,000, partially offset by, (vi) proceeds from the sale of real estate (primarily 1999 K Street) of \$367,698,000, (vii) proceeds from restricted cash of \$111,788,000, (viii) proceeds from the sale of marketable securities of \$64,355,000, (ix) proceeds received from repayments on mezzanine loans receivable of \$47,397,000, (x) proceeds from maturing short-term investments of \$15,000,000 and (xi) distributions of capital from partially owned entities of \$16,790,000.

Net cash used in financing activities of \$1,382,752,000 was primarily comprised of (i) acquisition and retirement of convertible senior debentures and senior unsecured notes of \$2,221,204,000, (ii) repayment of borrowings of \$2,075,236,000, (iii) dividends paid on common shares of \$262,397,000, (iv) dividends paid on preferred shares of \$57,078,000, (v) distributions to noncontrolling interests of \$42,449,000, (vi) repurchase of shares related to stock compensation arrangements and related tax withholdings of \$32,203,000, (vii) redemption of redeemable noncontrolling interests of \$24,330,000, (viii) debt issuance and other costs of \$30,186,000, partially offset by, (ix) proceeds from borrowings of \$2,648,175,000 and (xi) proceeds from issuance of common shares of \$710,226,000.

### ***Capital Expenditures***

Our capital expenditures consist of expenditures to maintain assets, tenant improvements and leasing commissions. Recurring capital improvements include expenditures to maintain a property's competitive position within the market and tenant improvements and leasing commissions necessary to re-lease expiring leases or renew or extend existing leases. Non-recurring capital improvements include expenditures completed in the year of acquisition and the following two years that were planned at the time of acquisition as well as tenant improvements and leasing commissions for space that was vacant at the time of acquisition of a property. Our 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.

## Liquidity and Capital Resources continued

### Cash Flow for the Year Ended December 31, 2009 continued

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2009.

| (Amounts in thousands)                                                      | Total      | New York<br>Office | Washington,<br>DC<br>Office | Retail   | Merchandise<br>Mart | Other     |
|-----------------------------------------------------------------------------|------------|--------------------|-----------------------------|----------|---------------------|-----------|
| <b>Capital Expenditures</b><br>(accrual basis):                             |            |                    |                             |          |                     |           |
| Expenditures to maintain<br>assets                                          | \$ 41,858  | \$ 15,559          | \$ 17,185                   | \$ 3,406 | \$ 5,708            | \$        |
| Tenant improvements                                                         | 76,514     | 44,808             | 18,348                      | 4,190    | 9,168               |           |
| Leasing commissions                                                         | 28,913     | 15,432             | 10,040                      | 1,710    | 1,731               |           |
| Non-recurring capital<br>expenditures                                       | 35,917     | 20,741             |                             | 53       |                     | 15,123    |
| Total capital<br>expenditures and leasing<br>commissions (accrual<br>basis) | 183,202    | 96,540             | 45,573                      | \$ 9,359 | \$ 16,607           | \$ 15,123 |
| Adjustments to reconcile<br>to cash basis:                                  |            |                    |                             |          |                     |           |
| Expenditures in the<br>current year applicable to<br>prior periods          | 138,590    | 67,903             | 60,208                      | 4,293    | 5,224               | 962       |
| Expenditures to be made<br>in future periods for the<br>current period      | (75,397 )  | (40,516 )          | (21,627 )                   | (5,244 ) | (5,900 )            | (2,110 )  |
| Total capital<br>expenditures and leasing<br>commissions (cash basis)       | \$ 246,395 | \$ 123,927         | \$ 84,154                   | \$ 8,408 | \$ 15,931           | \$ 13,975 |
| <i>Tenant improvements<br/>and leasing<br/>commissions:</i>                 |            |                    |                             |          |                     |           |
| <i>Per square foot per<br/>annum</i>                                        | \$ 2.65    | \$ 5.45            | \$ 2.10                     | \$ 0.82  | \$ 1.64             | \$        |
| <i>Percentage of initial rent</i>                                           | 7.1%       | 10.5%              | 5.2%                        | 3.5%     | 5.7%                |           |

**Development and  
Redevelopment  
Expenditures:**

|                                           |            |           |            |            |          |           |
|-------------------------------------------|------------|-----------|------------|------------|----------|-----------|
| West End 25                               | \$ 64,865  | \$        | \$ 64,865  | \$         | \$       | \$        |
| Bergen Town Center                        | 57,843     |           |            | 57,843     |          |           |
| Wasserman Venture                         | 49,586     |           |            |            |          | 49,586    |
| 220 20 <sup>th</sup> Street               | 39,256     |           | 39,256     |            |          |           |
| 1999 K Street (sold in<br>September 2009) | 31,874     |           | 31,874     |            |          |           |
| North Bergen, New<br>Jersey               | 25,764     |           |            | 25,764     |          |           |
| Manhattan Mall                            | 21,459     |           |            | 21,459     |          |           |
| Poughkeepsie, New<br>York                 | 20,280     |           |            | 20,280     |          |           |
| Garfield, New Jersey                      | 16,577     |           |            | 16,577     |          |           |
| 1540 Broadway                             | 15,544     |           |            | 15,544     |          |           |
| 2101 L Street                             | 12,923     |           | 12,923     |            |          |           |
| Beverly Connection                        | 12,854     |           |            | 12,854     |          |           |
| 40 East 66 <sup>th</sup> Street           | 10,520     |           |            |            |          | 10,520    |
| One Penn Plaza                            | 9,839      | 9,839     |            |            |          |           |
| Other                                     | 76,021     | 11,790    | 22,849     | 28,438     | 6,409    | 6,535     |
|                                           | \$ 465,205 | \$ 21,629 | \$ 171,767 | \$ 198,759 | \$ 6,409 | \$ 66,641 |

## Liquidity and Capital Resources continued

### *Cash Flow for the Year Ended December 31, 2008*

Cash and cash equivalents were \$1,526,853,000 at December 31, 2008, a \$372,258,000 increase over the balance at December 31, 2007. This increase resulted from \$817,812,000 of net cash provided by operating activities and \$7,677,000 of net cash provided by financing activities, partially offset by \$453,231,000 of net cash used in investing activities.

Our consolidated outstanding debt was \$12,437,923,000 at December 31, 2008, a \$718,946,000 increase over the balance at December 31, 2007. This increase resulted primarily from debt associated with property refinancings. As of December 31, 2008 and December 31, 2007, \$358,468,000 and \$405,656,000, respectively, was outstanding under our revolving credit facilities.

Our share of debt of unconsolidated subsidiaries was \$3,196,585,000 at December 31, 2008, a \$93,288,000 decrease from the balance at December 31, 2007.

Cash flows provided by operating activities of \$817,812,000 was comprised of (i) net income of \$411,445,000, (ii) \$401,571,000 of non-cash adjustments, including depreciation and amortization expense, non-cash impairment losses, the effect of straight-lining of rental income, equity in net income of partially owned entities, and (iii) distributions of income from partially owned entities of \$44,690,000, partially offset by (iv) the net change in operating assets and liabilities of \$39,894,000.

Net cash used in investing activities of \$453,231,000 was primarily comprised of (i) development and redevelopment expenditures of \$598,688,000, (ii) additions to real estate of \$207,885,000, (iii) investments in partially owned entities of \$156,227,000, (iv) purchases of marketable equity securities of \$164,886,000, partially offset by, (v) proceeds from the sale of real estate (primarily Americold and Tysons Dulles Plaza) of \$390,468,000, (vi) distributions of capital from partially owned entities of \$218,367,000, (vii) proceeds received from repayments on mezzanine loans receivable of \$52,470,000 and (viii) proceeds from the sale of marketable securities of \$51,185,000.

Net cash provided by financing activities of \$7,677,000 was primarily comprised of (i) proceeds from borrowings of \$1,721,974,000 and (ii) proceeds received from exercises of employee stock options of \$29,377,000, partially offset by, (iii) repayments of borrowings of \$993,665,000, (iv) dividends paid on common shares of \$561,981,000, (v) distributions to noncontrolling interests of \$85,419,000 and (vi) dividends paid on preferred shares of \$57,112,000.



## Liquidity and Capital Resources continued

### Cash Flow for the Year Ended December 31, 2008 continued

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2008.

| (Amounts in thousands)                                                   | Total          | New York<br>Office | Washington,<br>DC<br>Office | Retail         | Merchandise<br>Mart | Other     |
|--------------------------------------------------------------------------|----------------|--------------------|-----------------------------|----------------|---------------------|-----------|
| <b>Capital Expenditures</b><br>(accrual basis):                          |                |                    |                             |                |                     |           |
| Expenditures to maintain<br>assets                                       | \$ 50,137      | \$23,380           | \$ 10,341                   | \$ 4,024       | \$ 10,730           | \$ 1,662  |
| Tenant improvements                                                      | 57,573         | 23,433             | 17,223                      | 7,881          | 9,036               |           |
| Leasing commissions                                                      | 29,642         | 16,037             | 6,385                       | 3,145          | 4,075               |           |
| Non-recurring capital<br>expenditures                                    | 70,860         | 28,773             | 20,888                      | 4,109          | 11,146              | 5,944     |
| Total capital expenditures<br>and leasing commissions<br>(accrual basis) | 208,212        | 91,623             | 54,837                      | 19,159         | 34,987              | 7,606     |
| Adjustments to reconcile to<br>cash basis:                               |                |                    |                             |                |                     |           |
| Expenditures in the current<br>year applicable to prior<br>periods       | 114,778        | 57,001             | 15,539                      | 9,590          | 28,576              | 4,072     |
| Expenditures to be made in<br>future periods for the<br>current period   | (78,614 )      | (33,571 )          | (22,076 )                   | (15,135 )      | (7,729 )            | (103 )    |
| Total capital expenditures<br>and leasing commissions<br>(cash basis)    | \$ 244,376     | \$115,053          | \$48,300                    | \$ 13,614      | \$ 55,834           | \$ 11,575 |
| <i>Tenant improvements and<br/>leasing commissions:</i>                  |                |                    |                             |                |                     |           |
| <i>Per square foot per annum</i>                                         | <i>\$ 3.03</i> | <i>\$5.35</i>      | <i>\$ 2.16</i>              | <i>\$ 2.03</i> | <i>\$ 2.63</i>      | <i>\$</i> |
| <i>Percentage of initial rent</i>                                        | <i>7.0%</i>    | <i>7.5%</i>        | <i>5.6%</i>                 | <i>5.3%</i>    | <i>9.4%</i>         |           |

#### Development and Redevelopment Expenditures:

|                    |            |    |    |            |    |        |
|--------------------|------------|----|----|------------|----|--------|
| Bergen Town Center | \$ 126,673 | \$ | \$ | \$ 126,673 | \$ | \$     |
| Wasserman Venture  | 61,867     |    |    |            |    | 61,867 |

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|                                 |            |          |            |            |          |        |            |
|---------------------------------|------------|----------|------------|------------|----------|--------|------------|
| Manhattan Mall                  | 51,474     |          |            | 51,474     |          |        |            |
| 1999 K Street (sold in 2009)    | 45,742     |          | 45,742     |            |          |        |            |
| 40 East 66 <sup>th</sup> Street | 41,827     |          |            |            |          | 41,827 |            |
| 220 20 <sup>th</sup> Street     | 36,014     |          | 36,014     |            |          |        |            |
| 220 Central Park South          | 30,533     |          |            |            |          |        | 30,533     |
| West End 25                     | 24,002     |          | 24,002     |            |          |        |            |
| 478-486 Broadway                | 17,182     |          |            | 17,182     |          |        |            |
| Hotel Pennsylvania              | 15,591     |          |            |            |          |        | 15,591     |
| 2101 L Street                   | 14,992     |          | 14,992     |            |          |        |            |
| Springfield Mall                | 12,948     |          |            | 12,948     |          |        |            |
| Garfield, New Jersey            | 12,775     |          |            | 12,775     |          |        |            |
| North Bergen, New Jersey        | 10,749     |          |            | 10,749     |          |        |            |
| Poughkeepsie, New York          | 10,404     |          |            | 10,404     |          |        |            |
| Green Acres Mall                | 3,914      |          |            | 3,914      |          |        |            |
| Other                           | 82,001     | 25,959   | 27,106     | 20,226     | 8,710    |        |            |
|                                 | \$ 598,688 | \$25,959 | \$ 147,856 | \$ 266,345 | \$ 8,710 |        | \$ 149,818 |

## Liquidity and Capital Resources continued

### *Cash Flow for the Year Ended December 31, 2007*

Cash and cash equivalents were \$1,154,595,000 at December 31, 2007, a \$1,078,722,000 decrease from the balance at December 31, 2006. This decrease resulted from \$3,067,704,000 of net cash used in investing activities, primarily for real estate acquisitions, partially offset by \$1,291,657,000 of net cash provided by financing activities and \$697,325,000 of net cash provided by operating activities.

Our consolidated outstanding debt was \$11,718,977,000 at December 31, 2007, a \$3,316,022,000 increase over the balance at December 31, 2006. This increase resulted primarily from debt associated with asset acquisitions, property financings and refinancings and from the issuance of \$1.0 billion of senior unsecured convertible debentures during 2007. As of December 31, 2007 and 2006, \$405,656,000 and \$0, respectively, was outstanding under our revolving credit facilities.

Our share of debt of unconsolidated subsidiaries was \$3,289,873,000 at December 31, 2007, a \$33,134,000 decrease from the balance at December 31, 2006.

Cash flows provided by operating activities of \$697,325,000 was comprised of (i) net income of \$607,833,000, (ii) adjustments for non-cash items of \$211,074,000, and (iii) distributions of income from partially owned entities of \$24,044,000, partially offset by, (iv) a net change in operating assets and liabilities of \$145,626,000. The adjustments for non-cash items were primarily comprised of (i) depreciation and amortization of \$545,885,000, (ii) a non-cash mezzanine loan loss accrual of \$57,000,000, (iii) net loss on early extinguishment of debt and write-off of unamortized financing costs of \$7,670,000, partially offset by (iv) net gains on derivatives of \$113,503,000 (primarily McDonald's), (v) equity in net income of partially owned entities, including Alexander's and Toys, of \$69,656,000, (vi) the effect of straight-lining of rental income of \$77,699,000, (vii) net gains on sale of real estate of \$64,981,000, (viii) net gains on dispositions of wholly-owned and partially owned assets other than real estate of \$39,493,000 and (ix) amortization of below market leases, net of above market leases of \$83,250,000.

Net cash used in investing activities of \$3,067,704,000 was primarily comprised of (i) acquisitions of real estate and other of \$2,849,709,000, (ii) development and redevelopment expenditures of \$358,748,000, (iii) investments in partially owned entities of \$271,423,000, (iv) investments in mezzanine loans receivable of \$217,081,000, (v) purchases of marketable securities of \$152,683,000, (vi) capital expenditures of \$166,319,000, partially offset by, (vii) proceeds from settlement of derivative positions of \$260,764,000, (viii) repayments received on mezzanine loans receivable of \$241,289,000, (ix) proceeds from the sale of real estate of \$297,234,000, (x) proceeds from the sale of marketable securities of \$112,779,000 and (xi) distributions of capital from partially owned entities of \$22,541,000.

Net cash provided by financing activities of \$1,291,657,000 was primarily comprised of (i) proceeds from borrowings of \$2,954,497,000, partially offset by, (ii) repayments of borrowings of \$868,055,000, (iii) dividends paid on common shares of \$524,719,000, (iv) purchases of marketable securities in connection with the legal defeasance or mortgage notes payable of \$109,092,000, (v) distributions to noncontrolling interests of \$81,065,000 and (vi) dividends paid on preferred shares of \$57,236,000.

## Liquidity and Capital Resources continued

### Cash Flow for the Year Ended December 31, 2007 continued

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2007.

| (Amounts in thousands)                                                   | Total       | New York<br>Office | Washington,<br>DC<br>Office | Retail         | Merchandise<br>Mart | Other     |
|--------------------------------------------------------------------------|-------------|--------------------|-----------------------------|----------------|---------------------|-----------|
| <b>Capital Expenditures</b><br>(accrual basis):                          |             |                    |                             |                |                     |           |
| Expenditures to maintain<br>assets                                       | \$ 46,549   | \$ 15,162          | \$ 15,725                   | \$ 2,626       | \$ 10,625           | \$ 2,411  |
| Tenant improvements                                                      | 100,939     | 43,677             | 20,890                      | 3,176          | 33,196              |           |
| Leasing commissions                                                      | 43,163      | 28,626             | 7,591                       | 2,773          | 4,173               |           |
| Non-recurring capital<br>expenditures                                    | 10,974      |                    | 6,717                       | 1,280          |                     | 2,977     |
| Total capital expenditures<br>and leasing commissions<br>(accrual basis) | 201,625     | 87,465             | 50,923                      | 9,855          | 47,994              | 5,388     |
| Adjustments to reconcile to<br>cash basis:                               |             |                    |                             |                |                     |           |
| Expenditures in the current<br>year applicable to prior<br>periods       | 76,117      | 17,416             | 40,019                      | 8,263          | 8,982               | 1,437     |
| Expenditures to be made in<br>future periods for the<br>current period   | (88,496 )   | (46,845 )          | (13,763 )                   | (5,542 )       | (21,203 )           | (1,143 )  |
| Total capital expenditures<br>and leasing commissions<br>(cash basis)    | \$ 189,246  | \$ 58,036          | \$ 77,179                   | \$ 12,576      | \$ 35,773           | \$ 5,682  |
| <i>Tenant improvements and<br/>leasing commissions:</i>                  |             |                    |                             |                |                     |           |
| <i>Per square foot per annum \$</i>                                      | <i>2.91</i> | <i>\$ 5.17</i>     | <i>\$ 1.72</i>              | <i>\$ 1.11</i> | <i>\$ 3.15</i>      | <i>\$</i> |
| <i>Percentage of initial rent</i>                                        | <i>6.7%</i> | <i>7.0</i>         | <i>% 4.4</i>                | <i>% 2.8</i>   | <i>% 11.8</i>       | <i>%</i>  |

#### Development and Redevelopment Expenditures:

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|                                 |            |           |            |            |        |           |
|---------------------------------|------------|-----------|------------|------------|--------|-----------|
| Bergen Town Center              | \$ 52,664  | \$        | \$         | \$ 52,664  | \$     | \$        |
| 2101 L Street                   | 46,664     |           | 46,664     |            |        |           |
| Wasserman Venture               | 43,260     |           |            |            |        | 43,260    |
| Green Acres Mall                | 32,594     |           |            | 32,594     |        |           |
| Crystal Mall Two                | 29,552     |           | 29,552     |            |        |           |
| North Bergen, New Jersey        | 19,925     |           |            | 19,925     |        |           |
| 40 East 66 <sup>th</sup> Street | 13,544     |           |            |            |        | 13,544    |
| 1999 K Street (sold in 2009)    | 11,245     |           | 11,245     |            |        |           |
| Springfield Mall                | 6,055      |           |            | 6,055      |        |           |
| Other                           | 103,245    | 11,728    | 30,515     | 27,124     | 693    | 33,185    |
|                                 | \$ 358,748 | \$ 11,728 | \$ 117,976 | \$ 138,362 | \$ 693 | \$ 89,989 |

## Funds From Operations ( FFO )

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 GAAP net income or loss adjusted to exclude net gains from sales of depreciated real estate assets and GAAP extraordinary items, and to include depreciation and amortization expense from real estate assets and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flows as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies. The calculations of both the numerator and denominator used in the computation of income per share are disclosed in Note 15 *Income per Share*, in the notes to our consolidated financial statements on page 153 of this Annual Report on Form 10-K.

FFO attributable to common shareholders plus assumed conversions was \$583,596,000, or \$3.36 per diluted share for the year ended December 31, 2009, compared to \$813,064,000 or \$4.97 per diluted share for the year ended December 31, 2008. FFO attributable to common shareholders plus assumed conversions was \$20,000 or \$0.00 per diluted share for the three months ended December 31, 2009 compared to negative FFO of \$88,154,000, or \$0.57 per diluted share for the three months ended December 31, 2008. Details of certain items that affect comparability are discussed in the financial results summary of our Overview.

| (Amounts in thousands except per share amounts)<br><b>Reconciliation of our net income (loss) to FFO<br/>(Negative FFO):</b> | <b>For The Year<br/>Ended December 31,</b> |             | <b>For The Three Months<br/>Ended December 31,</b> |               |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------|----------------------------------------------------|---------------|
|                                                                                                                              | <b>2009</b>                                | <b>2008</b> | <b>2009</b>                                        | <b>2008</b>   |
| Net income (loss) attributable to Vornado                                                                                    | \$ 106,169                                 | \$ 359,297  | \$ (136,923 )                                      | \$ (212,680 ) |
| Depreciation and amortization of real property                                                                               | 508,572                                    | 509,367     | 133,023                                            | 129,305       |
| Net gains on sale of real estate                                                                                             | (45,282 )                                  | (57,523 )   | (2,629 )                                           |               |
| Proportionate share of adjustments to equity in net income of Toys to arrive at FFO:                                         |                                            |             |                                                    |               |
| Depreciation and amortization of real property                                                                               | 65,358                                     | 66,435      | 15,527                                             | 15,533        |
| Net gains on sale of real estate                                                                                             | (164 )                                     | (719 )      |                                                    | (555 )        |
| Income tax effect of above adjustments                                                                                       | (22,819 )                                  | (23,223 )   | (5,435 )                                           | (5,242 )      |
| 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                                                                               | 75,200                                     | 49,513      | 22,692                                             | 13,735        |
| Net gains on sale of real estate                                                                                             | (1,188 )                                   | (8,759 )    | (3 )                                               | (528 )        |
| Noncontrolling interests share of above adjustments                                                                          | (45,344 )                                  | (49,683 )   | (11,963 )                                          | (13,451 )     |

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|                                                                                                   |            |            |           |              |
|---------------------------------------------------------------------------------------------------|------------|------------|-----------|--------------|
| FFO (Negative FFO)                                                                                | 640,502    | 844,705    | 14,289    | (73,883 )    |
| Preferred share dividends                                                                         | (57,076 )  | (57,091 )  | (14,269 ) | (14,271 )    |
| FFO (Negative FFO) attributable to common shareholders                                            | 583,426    | 787,614    | 20        | (88,154 )    |
| Interest on 3.875% exchangeable senior debentures                                                 |            | 25,261     |           |              |
| Convertible preferred dividends                                                                   | 170        | 189        |           |              |
| FFO (Negative FFO) attributable to common shareholders plus assumed conversions                   | \$ 583,596 | \$ 813,064 | \$ 20     | \$ (88,154 ) |
| <b>Reconciliation of Weighted Average Shares:</b>                                                 |            |            |           |              |
| Weighted average common shares outstanding                                                        | 171,595    | 153,900    | 179,832   | 154,590      |
| Effect of dilutive securities:                                                                    |            |            |           |              |
| Employee stock options and restricted share awards                                                | 1,908      | 4,219      | 2,627     |              |
| 3.875% exchangeable senior debentures                                                             |            | 5,559      |           |              |
| Convertible preferred shares                                                                      | 75         | 81         |           |              |
| Denominator for FFO (Negative FFO) per diluted share                                              | 173,578    | 163,759    | 182,459   | 154,590      |
| FFO (Negative FFO) attributable to common shareholders plus assumed conversions per diluted share | \$ 3.36    | \$ 4.97    | \$ 0.00   | \$ (0.57 )   |

## ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to fluctuations in market interest rates. Market interest rates are highly sensitive to many factors that are beyond our control. Our exposure to a change in interest rates on our consolidated and non-consolidated debt (all of which arises out of non-trading activity) is as follows:

| (Amounts in thousands, except per share amounts) 2009                            |                      |                                | 2008                              |                      |                                |
|----------------------------------------------------------------------------------|----------------------|--------------------------------|-----------------------------------|----------------------|--------------------------------|
|                                                                                  | December 31, Balance | Weighted Average Interest Rate | Effect of 1% Change In Base Rates | December 31, Balance | Weighted Average Interest Rate |
| Consolidated debt:                                                               |                      |                                |                                   |                      |                                |
| Variable rate                                                                    | \$2,657,972          | 1.67%                          | \$26,579                          | \$2,002,381          | 2.71%                          |
| Fixed rate                                                                       | 8,281,643            | 5.89%                          |                                   | 10,435,542           | 5.76%                          |
|                                                                                  | \$10,939,615         | 4.86%                          | 26,579                            | \$12,437,923         | 5.27%                          |
| Pro-rata share of debt of non-consolidated entities (non-recourse):              |                      |                                |                                   |                      |                                |
| Variable rate excluding Toys                                                     | \$331,980            | 2.87%                          | 3,319                             | \$282,752            | 3.63%                          |
| Variable rate Toys                                                               | 852,040              | 3.45%                          | 8,520                             | 819,512              | 3.68%                          |
| Fixed rate (including \$1,077,919 and \$1,175,310 of Toys debt in 2009 and 2008) | 1,965,620            | 7.16%                          |                                   | 2,094,321            | 6.51%                          |
|                                                                                  | \$3,149,640          | 5.70%                          | 11,839                            | \$3,196,585          | 5.53%                          |
| Redeemable noncontrolling interest share of above                                |                      |                                | (3,112 )                          |                      |                                |
| Total change in annual net income                                                |                      |                                | \$35,306                          |                      |                                |
| Per share-diluted                                                                |                      |                                | \$0.20                            |                      |                                |

We may utilize various financial instruments to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. As of December 31, 2009, variable rate debt with an aggregate principal amount of \$507,750,000 and a weighted average interest rate of 2.49% was subject to LIBOR caps. These caps are based on a notional amount of \$507,750,000 and cap LIBOR at a weighted average rate of 5.39%.

As of December 31, 2009, we have investments in mezzanine loans with an aggregate carrying amount of \$203,286,000 that are based on variable interest rates which partially mitigate our exposure to a change in interest rates on our variable rate debt.

### ***Fair Value of Our Debt***

The estimated fair value of our debt at December 31, 2009 was less than its aggregate carrying amount by approximately \$501,467,000 based on current market prices and discounted cash flows at the current interest rates at which we believe similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have audited the accompanying consolidated balance sheets of Vornado Realty Trust (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Vornado Realty Trust at December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2009, the Company changed its method of accounting for debt with conversion options and noncontrolling interests in consolidated subsidiaries and retrospectively adjusted all periods presented in the consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2010 expressed an unqualified opinion on the Company's

internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 23, 2010

# VORNADO REALTY TRUST

## CONSOLIDATED BALANCE SHEETS

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

|                                                                                                  | <b>December 31,<br/>2009</b> | <b>December 31,<br/>2008</b> |
|--------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| <b>ASSETS</b>                                                                                    |                              |                              |
| Real estate, at cost:                                                                            |                              |                              |
| Land                                                                                             | \$ 4,606,065                 | \$ 4,598,111                 |
| Buildings and improvements                                                                       | 12,902,086                   | 12,136,272                   |
| Development costs and construction in progress                                                   | 313,310                      | 966,676                      |
| Leasehold improvements and equipment                                                             | 128,056                      | 118,620                      |
| Total                                                                                            | 17,949,517                   | 17,819,679                   |
| Less accumulated depreciation and amortization                                                   | (2,494,441 )                 | (2,167,403 )                 |
| Real estate, net                                                                                 | 15,455,076                   | 15,652,276                   |
| Cash and cash equivalents                                                                        | 535,479                      | 1,526,853                    |
| Short-term investments                                                                           | 40,000                       |                              |
| Restricted cash                                                                                  | 293,950                      | 375,888                      |
| Marketable securities                                                                            | 380,652                      | 334,322                      |
| Accounts receivable, net of allowance for doubtful accounts of \$46,708 and \$32,834             | 157,325                      | 201,566                      |
| Investments in partially owned entities, including Alexander s of \$193,174 and \$137,305        | 799,832                      | 790,154                      |
| Investment in Toys R Us                                                                          | 409,453                      | 293,096                      |
| Mezzanine loans receivable, net of allowance of \$190,738 and \$46,700                           | 203,286                      | 472,539                      |
| Receivable arising from the straight-lining of rents, net of allowance of \$4,680 and \$5,773    | 681,526                      | 592,432                      |
| Deferred leasing and financing costs, net of accumulated amortization of \$183,224 and \$168,714 | 311,825                      | 304,125                      |
| Assets related to discontinued operations                                                        |                              | 172,818                      |
| Due from officers                                                                                | 13,150                       | 13,185                       |
| Other assets                                                                                     | 903,918                      | 688,794                      |
|                                                                                                  | <b>\$ 20,185,472</b>         | <b>\$ 21,418,048</b>         |
| <b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS<br/>AND EQUITY</b>                           |                              |                              |
| Notes and mortgages payable                                                                      | \$ 8,445,766                 | \$ 8,761,640                 |
| Convertible senior debentures                                                                    | 445,458                      | 2,221,743                    |
| Senior unsecured notes                                                                           | 711,716                      | 617,816                      |
| Exchangeable senior debentures                                                                   | 484,457                      | 478,256                      |
| Revolving credit facility debt                                                                   | 852,218                      | 358,468                      |
| Accounts payable and accrued expenses                                                            | 475,242                      | 515,607                      |
| Deferred credit                                                                                  | 682,384                      | 764,774                      |
| Deferred compensation plan                                                                       | 80,443                       | 69,945                       |
| Deferred tax liabilities                                                                         | 17,842                       | 19,895                       |
| Liabilities related to discontinued operations                                                   |                              | 73,747                       |
| Other liabilities                                                                                | 88,912                       | 143,527                      |
| Total liabilities                                                                                | 12,284,438                   | 14,025,418                   |
| Commitments and contingencies                                                                    |                              |                              |
| Redeemable noncontrolling interests:                                                             |                              |                              |

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|                                                                                                                                                            |               |               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Class A units 13,892,313 and 14,627,005 units outstanding                                                                                                  | 971,628       | 882,740       |
| Series D cumulative redeemable preferred units 11,200,000 units outstanding                                                                                | 280,000       | 280,000       |
| Series B convertible preferred units 444,559 units outstanding in 2008                                                                                     |               | 15,238        |
| Total redeemable noncontrolling interests                                                                                                                  | 1,251,628     | 1,177,978     |
| Vornado shareholders' equity:                                                                                                                              |               |               |
| Preferred shares of beneficial interest: no par value per share; authorized 110,000,000                                                                    |               |               |
| shares; issued and outstanding 33,952,324 and 33,954,124 shares                                                                                            | 823,686       | 823,807       |
| Common shares of beneficial interest: \$.04 par value per share; authorized, 250,000,000 shares; issued and outstanding 181,214,161 and 155,285,903 shares | 7,218         | 6,195         |
| Additional capital                                                                                                                                         | 6,961,007     | 6,025,976     |
| Earnings less than distributions                                                                                                                           | (1,577,591)   | (1,047,340)   |
| Accumulated other comprehensive income (loss)                                                                                                              | 28,449        | (6,899)       |
| Total Vornado shareholders' equity                                                                                                                         | 6,242,769     | 5,801,739     |
| Noncontrolling interests in consolidated subsidiaries                                                                                                      | 406,637       | 412,913       |
| Total equity                                                                                                                                               | 6,649,406     | 6,214,652     |
|                                                                                                                                                            | \$ 20,185,472 | \$ 21,418,048 |

See notes to consolidated financial statements.

**VORNADO REALTY TRUST****CONSOLIDATED STATEMENTS OF INCOME**

| (Amounts in thousands, except per share amounts)                                                                   | Year Ended December 31, |                   |                   |
|--------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------|-------------------|
|                                                                                                                    | 2009                    | 2008              | 2007              |
| <b>REVENUES:</b>                                                                                                   |                         |                   |                   |
| Property rentals                                                                                                   | \$ 2,222,285            | \$ 2,207,399      | \$ 1,972,230      |
| Tenant expense reimbursements                                                                                      | 361,982                 | 357,986           | 323,075           |
| Fee and other income                                                                                               | 158,311                 | 127,301           | 109,938           |
| Total revenues                                                                                                     | 2,742,578               | 2,692,686         | 2,405,243         |
| <b>EXPENSES:</b>                                                                                                   |                         |                   |                   |
| Operating                                                                                                          | 1,087,785               | 1,069,445         | 950,487           |
| Depreciation and amortization                                                                                      | 539,503                 | 536,820           | 440,224           |
| General and administrative                                                                                         | 231,688                 | 194,023           | 189,024           |
| Impairment and other losses                                                                                        | 87,823                  | 81,447            | 10,375            |
| Total expenses                                                                                                     | 1,946,799               | 1,881,735         | 1,590,110         |
| Operating income                                                                                                   | 795,779                 | 810,951           | 815,133           |
| Income applicable to Alexander's                                                                                   | 53,529                  | 36,671            | 50,589            |
| Income (loss) applicable to Toys 'R Us                                                                             | 92,300                  | 2,380             | (14,337 )         |
| (Loss) income from partially owned entities                                                                        | (73,439 )               | (195,878 )        | 31,891            |
| Interest and other investment (loss) income, net                                                                   | (116,330 )              | (2,682 )          | 226,425           |
| Interest and debt expense (including amortization of deferred financing costs of \$17,691, \$17,507, and \$15,182) | (634,283 )              | (635,724 )        | (599,804 )        |
| Net (loss) gain on early extinguishment of debt                                                                    | (25,915 )               | 9,820             |                   |
| Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate              | 5,641                   | 7,757             | 39,493            |
| Income before income taxes                                                                                         | 97,282                  | 33,295            | 549,390           |
| Income tax (expense) benefit                                                                                       | (20,737 )               | 204,537           | (9,179 )          |
| Income from continuing operations                                                                                  | 76,545                  | 237,832           | 540,211           |
| Income from discontinued operations                                                                                | 51,905                  | 173,613           | 67,622            |
| Net income                                                                                                         | 128,450                 | 411,445           | 607,833           |
| Net income attributable to noncontrolling interests, including unit distributions                                  | (22,281 )               | (52,148 )         | (66,294 )         |
| Net income attributable to Vornado                                                                                 | 106,169                 | 359,297           | 541,539           |
| Preferred share dividends                                                                                          | (57,076 )               | (57,091 )         | (57,177 )         |
| <b>NET INCOME attributable to common shareholders</b>                                                              | <b>\$ 49,093</b>        | <b>\$ 302,206</b> | <b>\$ 484,362</b> |
| <b>INCOME PER COMMON SHARE BASIC:</b>                                                                              |                         |                   |                   |
| Income from continuing operations, net                                                                             | \$ 0.00                 | \$ 0.94           | \$ 2.78           |
| Income from discontinued operations, net                                                                           | 0.28                    | 1.02              | 0.40              |
| Net income per common share                                                                                        | \$ 0.28                 | \$ 1.96           | \$ 3.18           |
| Weighted average shares                                                                                            | 171,595                 | 153,900           | 151,949           |

**INCOME PER COMMON SHARE DILUTED:**

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|                                                 |         |         |         |
|-------------------------------------------------|---------|---------|---------|
| Income from continuing operations, net          | \$ 0.00 | \$ 0.91 | \$ 2.66 |
| Income from discontinued operations, net        | 0.28    | 1.00    | 0.39    |
| Net income per common share                     | \$ 0.28 | \$ 1.91 | \$ 3.05 |
| Weighted average shares                         | 173,503 | 158,119 | 158,558 |
| See notes to consolidated financial statements. |         |         |         |

# VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

|                                                                             | Preferred<br>Shares | Common<br>Shares | Additional<br>Capital | Earnings<br>Less Than<br>Distributions | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Noncontrolling<br>Interests | Total Equity |
|-----------------------------------------------------------------------------|---------------------|------------------|-----------------------|----------------------------------------|-----------------------------------------------------------|-----------------------------|--------------|
| (Amounts in thousands)                                                      |                     |                  |                       |                                        |                                                           |                             |              |
| <b>Balance, December 31, 2006</b>                                           | \$ 828,660          | \$ 6,083         | \$ 4,776,515          | \$ (716,716 )                          | \$ 92,963                                                 | \$ 19,091                   | \$ 5,006,596 |
| Net Income                                                                  |                     |                  |                       | 541,539                                |                                                           | (3,494 )                    | 538,045      |
| Dividends paid on common shares                                             |                     |                  |                       | (524,719 )                             |                                                           |                             | (524,719)    |
| Dividends paid on preferred shares                                          |                     |                  |                       | (57,177 )                              |                                                           |                             | (57,177 )    |
| Conversion of Series A preferred shares to common shares                    | (3,565 )            | 4                | 3,561                 |                                        |                                                           |                             |              |
| Deferred compensation shares and options                                    |                     | (17 )            | (36,422 )             |                                        |                                                           |                             | (36,439 )    |
| Common shares issued:                                                       |                     |                  |                       |                                        |                                                           |                             |              |
| Under employees share option plan                                           |                     | 30               | 34,617                |                                        |                                                           |                             | 34,647       |
| Upon redemption of Class A Operating Partnership units, at redemption value |                     | 39               | 116,046               |                                        |                                                           |                             | 116,085      |
| In connection with dividend reinvestment plan                               |                     | 1                | 2,030                 |                                        |                                                           |                             | 2,031        |
| Change in unrealized net gain or loss on securities available-for-sale      |                     |                  |                       |                                        | (38,842 )                                                 |                             | (38,842)     |
| Sale of securities available-for-sale                                       |                     |                  |                       |                                        | (36,563 )                                                 |                             | (36,563)     |
|                                                                             |                     |                  |                       |                                        | 895                                                       |                             | 895          |

|                                                                 |            |          |              |              |           |            |              |  |         |
|-----------------------------------------------------------------|------------|----------|--------------|--------------|-----------|------------|--------------|--|---------|
| Change in pension plans                                         |            |          |              |              |           |            |              |  |         |
| Adjustments to redeemable Class A                               |            |          |              |              |           |            |              |  |         |
| Operating Partnership units                                     |            |          | 464,114      |              |           |            |              |  | 464,114 |
| Equity component of \$1.4 billion convertible senior debentures |            |          | 130,714      |              |           |            |              |  | 130,714 |
| Acquisition of noncontrolling interests                         |            |          |              |              |           |            | 398,386      |  | 398,386 |
| Other                                                           |            | (63      | )            | (104         | )         | 11,319     | 2,315        |  | 13,467  |
| <b>Balance, December 31, 2007</b>                               | \$ 825,095 | \$ 6,140 | \$ 5,491,112 | \$ (757,177) | \$ 29,772 | \$ 416,298 | \$ 6,011,240 |  |         |

See notes to consolidated financial statements.

# VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED

|                                                                             | Preferred<br>Shares | Common<br>Shares | Additional<br>Capital | Earnings<br>Less Than<br>Distributions | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Noncontrolling<br>Interests | Total Equity |
|-----------------------------------------------------------------------------|---------------------|------------------|-----------------------|----------------------------------------|-----------------------------------------------------------|-----------------------------|--------------|
| (Amounts in thousands)                                                      |                     |                  |                       |                                        |                                                           |                             |              |
| <b>Balance,</b>                                                             |                     |                  |                       |                                        |                                                           |                             |              |
| <b>December 31, 2007</b>                                                    | \$ 825,095          | \$ 6,140         | \$ 5,491,112          | \$ (757,177 )                          | \$ 29,772                                                 | \$ 416,298                  | \$ 6,011,240 |
| Net Income                                                                  |                     |                  |                       | 359,297                                |                                                           | 3,263                       | 362,560      |
| Dividends paid on common shares                                             |                     |                  |                       | (561,981 )                             |                                                           |                             | (561,981)    |
| Dividends paid on preferred shares                                          |                     |                  |                       | (57,091 )                              |                                                           |                             | (57,091 )    |
| Conversion of Series A preferred shares to common shares                    | (1,312 )            | 2                | 1,310                 |                                        |                                                           |                             |              |
| Deferred compensation shares and options                                    |                     | 1                | 11,410                |                                        |                                                           |                             | 11,411       |
| Common shares issued:                                                       |                     |                  |                       |                                        |                                                           |                             |              |
| Under employees share option plan                                           |                     | 7                | 26,897                | (30,345 )                              |                                                           |                             | (3,441)      |
| Upon redemption of Class A Operating Partnership units, at redemption value |                     | 40               | 82,290                |                                        |                                                           |                             | 82,330       |
| In connection with dividend reinvestment plan                               |                     | 1                | 2,373                 |                                        |                                                           |                             | 2,374        |
| Change in unrealized net gain or loss on securities available-for-sale      |                     |                  |                       |                                        | (20,150 )                                                 |                             | (20,150)     |
| Sale of securities available-for-sale                                       |                     |                  |                       |                                        | 6,128                                                     |                             | 6,128        |
|                                                                             |                     |                  |                       |                                        | 3,251                                                     |                             | 3,251        |

|                                                 |            |          |              |                |            |   |            |              |          |
|-------------------------------------------------|------------|----------|--------------|----------------|------------|---|------------|--------------|----------|
| Change in pension plans                         |            |          |              |                |            |   |            |              |          |
| Adjustments to redeemable Class A               |            |          |              |                |            |   |            |              |          |
| Operating Partnership units                     |            |          | 400,647      |                |            |   |            |              | 400,647  |
| Conversion of Series F-1 preferred units        |            | 4        | 9,996        |                |            |   |            |              | 10,000   |
| Other                                           | 24         |          | (59)         | )              | (43)       | ) | (25,900)   | (6,648)      | (32,626) |
| <b>Balance,</b>                                 |            |          |              |                |            |   |            |              |          |
| <b>December 31, 2008</b>                        | \$ 823,807 | \$ 6,195 | \$ 6,025,976 | \$ (1,047,340) | \$ (6,899) | ) | \$ 412,913 | \$ 6,214,652 |          |
| See notes to consolidated financial statements. |            |          |              |                |            |   |            |              |          |

# VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED

|                                                                             | Preferred<br>Shares | Common<br>Shares | Additional<br>Capital | Earnings<br>Less Than<br>Distributions | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Noncontrolling<br>Interests | Total Equity   |
|-----------------------------------------------------------------------------|---------------------|------------------|-----------------------|----------------------------------------|-----------------------------------------------------------|-----------------------------|----------------|
| (Amounts in thousands)                                                      |                     |                  |                       |                                        |                                                           |                             |                |
| <b>Balance, December 31, 2008</b>                                           | \$ 823,807          | \$ 6,195         | \$ 6,025,976          | \$ (1,047,340)                         | \$ (6,899 )                                               | \$ 412,913                  | \$ 6,214,652   |
| Net Income                                                                  |                     |                  |                       | 106,169                                |                                                           | (2,839 )                    | 103,330        |
| Dividends paid on common shares                                             |                     | 258              | 285,338               | (547,993 )                             |                                                           |                             | (262,397)      |
| Dividends paid on preferred shares                                          |                     |                  |                       | (57,076 )                              |                                                           |                             | (57,076 )      |
| Proceeds from the issuance of common shares                                 |                     | 690              | 709,536               |                                        |                                                           |                             | 710,226        |
| Conversion of Series A preferred shares to common shares                    | (89 )               |                  | 89                    |                                        |                                                           |                             |                |
| Deferred compensation shares and options                                    |                     | 1                | 13,091                |                                        |                                                           |                             | 13,092         |
| Common shares issued:                                                       |                     |                  |                       |                                        |                                                           |                             |                |
| Under employees share option plan                                           |                     | 4                | 1,713                 | (31,355 )                              |                                                           |                             | (29,638)       |
| Upon redemption of Class A Operating Partnership units, at redemption value |                     | 70               | 90,885                |                                        |                                                           |                             | 90,955         |
| Change in unrealized net gain or loss on securities available-for-sale      |                     |                  |                       |                                        | 6,147<br>7,715                                            |                             | 6,147<br>7,715 |

|                                                                                                                 |            |          |              |                |           |            |              |  |           |
|-----------------------------------------------------------------------------------------------------------------|------------|----------|--------------|----------------|-----------|------------|--------------|--|-----------|
| Sale of securities<br>available-for-sale                                                                        |            |          |              |                |           |            |              |  |           |
| Our share of<br>partially owned<br>entities                                                                     |            |          |              |                |           |            |              |  |           |
| OCI adjustments                                                                                                 |            |          |              |                | 22,052    |            |              |  | 22,052    |
| Adjustments to<br>redeemable Class A                                                                            |            |          |              |                |           |            |              |  |           |
| Operating<br>Partnership units                                                                                  |            |          | (167,049 )   |                |           |            |              |  | (167,049) |
| Voluntary surrender<br>of equity awards<br>on March 31, 2009                                                    |            |          | 32,588       |                |           |            |              |  | 32,588    |
| Allocation of cash<br>paid to the equity<br>component upon<br>repurchase of<br>convertible senior<br>debentures |            |          | (30,159 )    |                |           |            |              |  | (30,159)  |
| Other                                                                                                           | (32 )      |          | (1,001 )     | 4              | (566 )    |            | (3,437 )     |  | (5,032)   |
| <b>Balance, December<br/>31, 2009</b>                                                                           | \$ 823,686 | \$ 7,218 | \$ 6,961,007 | \$ (1,577,591) | \$ 28,449 | \$ 406,637 | \$ 6,649,406 |  |           |

See notes to consolidated financial statements.

# VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| (Amounts in thousands)                                                                                 | Year Ended December 31, |            | 2007       |
|--------------------------------------------------------------------------------------------------------|-------------------------|------------|------------|
|                                                                                                        | 2009                    | 2008       |            |
| <b>Cash Flows from Operating Activities:</b>                                                           |                         |            |            |
| Net income                                                                                             | \$ 128,450              | \$ 411,445 | \$ 607,833 |
| Adjustments to reconcile net income to net cash provided by operating activities:                      |                         |            |            |
| Depreciation and amortization, including amortization of debt issuance costs                           | 559,053                 | 577,338    | 545,885    |
| Mezzanine loan loss accrual (reversal)                                                                 | 190,738                 | (10,300 )  | 57,000     |
| Straight lining of rental income                                                                       | (98,355 )               | (91,060 )  | (77,699 )  |
| Impairment and other losses                                                                            | 87,823                  | 81,447     | 10,375     |
| Equity in income of partially owned entities, including Alexander's and Toys                           | (90,210 )               | (47,460 )  | (69,656 )  |
| Amortization of below-market leases, net                                                               | (72,481 )               | (96,176 )  | (83,250 )  |
| Net gains on sale of real estate                                                                       | (45,284 )               | (57,523 )  | (64,981 )  |
| Distributions of income from partially owned entities                                                  | 30,473                  | 44,690     | 24,044     |
| Loss (gain) on early extinguishment of debt and write-off of unamortized financing costs               | 25,915                  | (9,820 )   | 7,670      |
| Impairment losses partially owned entities                                                             | 17,820                  | 203,919    |            |
| Net gain on dispositions of wholly owned and partially owned assets other than depreciable real estate | (5,641 )                | (7,757 )   | (39,493 )  |
| Impairment loss marketable equity securities                                                           | 3,361                   | 76,352     |            |
| Reversal of H Street deferred tax liability                                                            |                         | (222,174 ) |            |
| Net gain on sale of Americold Realty Trust                                                             |                         | (112,690 ) |            |
| Net loss (gain) from derivative positions                                                              |                         | 33,740     | (113,503 ) |
| Other non-cash adjustments, including stock-based compensation                                         | 47,784                  | 83,735     | 38,726     |
| Changes in operating assets and liabilities:                                                           |                         |            |            |
| Accounts receivable, net                                                                               | 15,383                  | (1,646 )   | (25,877 )  |
| Prepaid assets                                                                                         | (90,519 )               | (12,449 )  | 2,380      |
| Accounts payable and accrued expenses                                                                  | (3,606 )                | (5,207 )   | (89,961 )  |
| Other assets                                                                                           | (61,878 )               | (27,382 )  | (54,858 )  |
| Other liabilities                                                                                      | (5,247 )                | 6,790      | 22,690     |
| Net cash provided by operating activities                                                              | 633,579                 | 817,812    | 697,325    |
| <b>Cash Flows from Investing Activities:</b>                                                           |                         |            |            |
| Development costs and construction in progress                                                         | (465,205 )              | (598,688 ) | (358,748 ) |
| Proceeds from sales of real estate                                                                     | 367,698                 | 390,468    | 297,234    |
| Additions to real estate                                                                               | (216,669 )              | (207,885 ) | (166,319 ) |
| Purchases of marketable securities                                                                     | (90,089 )               | (164,886 ) | (152,683 ) |
| Cash restricted, including mortgage escrows                                                            | 111,788                 | 12,004     | 11,652     |
| Proceeds from sales of, and return of investment in, marketable securities                             | 64,355                  | 51,185     | 112,779    |

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|                                                                |            |            |              |
|----------------------------------------------------------------|------------|------------|--------------|
| Purchases of short-term investments                            | (55,000 )  |            |              |
| Proceeds received from repayment of mezzanine loans receivable | 47,397     | 52,470     | 241,289      |
| Investments in partially owned entities                        | (38,266 )  | (156,227 ) | (271,423 )   |
| Distributions of capital from partially owned entities         | 16,790     | 218,367    | 22,541       |
| Proceeds from maturing short-term investments                  | 15,000     |            |              |
| Acquisitions of real estate and other                          |            | (42,642 )  | (2,849,709 ) |
| Investments in mezzanine loans receivable                      |            | (7,397 )   | (217,081 )   |
| Proceeds received on settlement of derivatives                 |            |            | 260,764      |
| Repayment of officers' loans                                   |            |            | 2,000        |
| Net cash used in investing activities                          | (242,201 ) | (453,231 ) | (3,067,704 ) |
| See notes to consolidated financial statements.                |            |            |              |

# VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CASH FLOWS- CONTINUED

| (Amounts in thousands)                                                                              | Year Ended December 31, |              |              |
|-----------------------------------------------------------------------------------------------------|-------------------------|--------------|--------------|
|                                                                                                     | 2009                    | 2008         | 2007         |
| <b>Cash Flows from Financing Activities:</b>                                                        |                         |              |              |
| Proceeds from borrowings                                                                            | 2,648,175               | 1,721,974    | 2,954,497    |
| Acquisition and retirement of convertible senior debentures and senior unsecured notes              | (2,221,204)             |              |              |
| Repayments of borrowings                                                                            | (2,075,236)             | (993,665 )   | (868,055 )   |
| Proceeds from issuance of common shares                                                             | 710,226                 |              |              |
| Dividends paid on common shares                                                                     | (262,397 )              | (561,981)    | (524,719)    |
| Dividends paid on preferred shares                                                                  | (57,076 )               | (57,112)     | (57,236)     |
| Distributions to noncontrolling interests                                                           | (42,451 )               | (85,419)     | (81,065)     |
| Repurchase of shares related to stock compensation arrangements and related tax withholdings        | (32,203 )               | (31,198)     | (43,396)     |
| Redemption of redeemable noncontrolling interests                                                   | (24,330 )               |              |              |
| Debt issuance and other costs                                                                       | (30,186 )               | (14,299)     | (14,360)     |
| Contributions from noncontrolling interests                                                         | 2,180                   |              |              |
| Proceeds received from exercise of employee share options                                           | 1,750                   | 29,377       | 35,083       |
| Purchase of marketable securities in connection with the legal defeasance of mortgage notes payable |                         |              | (109,092)    |
| Net cash (used in) provided by financing activities                                                 | (1,382,752)             | 7,677        | 1,291,657    |
| Net (decrease) increase in cash and cash equivalents                                                | (991,374 )              | 372,258      | (1,078,722)  |
| Cash and cash equivalents at beginning of year                                                      | 1,526,853               | 1,154,595    | 2,233,317    |
| Cash and cash equivalents at end of year                                                            | \$ 535,479              | \$ 1,526,853 | \$ 1,154,595 |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                                            |                         |              |              |
| Cash payments for interest (including capitalized interest of \$17,256, \$63,063, and \$53,648)     | \$ 648,829              | \$ 658,376   | \$ 653,811   |
| Cash payments for income taxes                                                                      | \$ 21,775               | \$ 22,005    | \$ 36,489    |
| <b>Non Cash Transactions:</b>                                                                       |                         |              |              |
| Adjustments to reflect redeemable Class A operating partnership units at redemption value           | \$ (167,049 )           | \$ 400,647   | \$ 464,114   |
| Dividends paid in common shares                                                                     | 285,596                 |              |              |
| Conversion of redeemable Class A operating partnership units to common shares, at redemption value  | 90,955                  | 82,330       | 116,085      |
| Unit distributions paid in redeemable Class A Operating Partnership units                           | 23,876                  |              |              |
| Unrealized gain (loss) on securities available for sale                                             | 6,147                   | (20,150 )    | (38,842 )    |
| Financing assumed in acquisitions                                                                   |                         |              | 1,405,654    |
|                                                                                                     |                         |              | 109,092      |

|                                                                                                                                                                                                     |         |         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| Marketable securities transferred in connection with the legal defeasance of mortgage notes payable                                                                                                 |         |         |
| Mortgage notes payable legally defeased                                                                                                                                                             |         | 104,571 |
| Operating Partnership units issued in connection with acquisitions                                                                                                                                  |         | 62,059  |
| Increase in assets and liabilities resulting from the consolidation of investments previously accounted for on the equity method (Beverly Connection in November 2008 and H Street in April 2007) : |         |         |
| Real estate, net                                                                                                                                                                                    | 197,600 | 342,764 |
| Restricted cash                                                                                                                                                                                     | 2,287   | 369     |
| Other assets                                                                                                                                                                                        | 3,393   | 11,648  |
| Notes and mortgages payable                                                                                                                                                                         | 100,000 | 55,272  |
| Accounts payable and accrued expenses                                                                                                                                                               | 2,069   | 3,101   |
| Deferred credit                                                                                                                                                                                     |         | 2,407   |
| Deferred tax liabilities                                                                                                                                                                            |         | 112,797 |
| Other liabilities                                                                                                                                                                                   |         | 71      |

See notes to consolidated financial statements.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Organization and Business

Vornado Realty Trust ( Vornado ) is a fully integrated real estate investment trust ( REIT ) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the Operating Partnership ). Vornado is the sole general partner of, and owned approximately 92.5% of the common limited partnership interest in, the Operating Partnership at December 31, 2009. All references to we, us, our, the Company and Vornado refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

On May 14, 2009, our Board of Trustees executed its long-planned management succession strategy and elected Michael D. Fascitelli, as our Chief Executive Officer, succeeding Steven Roth, who continues to serve as Chairman of the Board.

As of December 31, 2009, we own directly or indirectly:

#### **Office Properties:**

- (i) all or portions of 28 properties aggregating 16.2 million square feet in the New York City metropolitan area (primarily Manhattan);
- (ii) all or portions of 84 properties aggregating 18.6 million square feet in the Washington, DC / Northern Virginia areas;
- (iii) a 70% controlling interest in 555 California Street, a three-building complex aggregating 1.8 million square feet in San Francisco's financial district;

#### **Retail Properties:**

- (iv) 162 properties aggregating 22.6 million square feet, including 3.9 million square feet owned by tenants on land leased from us, primarily in Manhattan, the northeast states, California and Puerto Rico;

**Merchandise Mart Properties:**

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

**Toys R Us, Inc. ( Toys ):**

(vi) a 32.7% interest in Toys which owns and/or operates 1,567 stores worldwide, including 851 stores in the United States and 716 stores internationally;

**Other Real Estate Investments:**

(vii) 32.4% of the common stock of Alexander's, Inc. (NYSE: ALX), which has seven properties in the greater New York metropolitan area;

(viii) the Hotel Pennsylvania in New York City;

(ix) mezzanine loans on real estate; and

(x) other real estate and investments, including marketable securities.

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# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Basis of Presentation and Significant Accounting Policies

#### *Basis of Presentation*

The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado Realty L.P. All significant inter-company amounts have been eliminated. We account for unconsolidated partially owned entities on the equity method of accounting. Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates. Certain prior year balances have been reclassified in order to conform to current year presentation.

On July 1, 2009, the Financial Accounting Standards Board ( FASB ) established the Accounting Standards Codification ( ASC ) as the primary source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Although the establishment of the ASC did not change current GAAP, it did change the way we refer to GAAP throughout this document to reflect the updated referencing convention.

#### *Impact of Retrospective Application of New Accounting Pronouncements*

During 2009, we paid quarterly dividends to our common shareholders in a combination of cash and stock and retrospectively adjusted weighted average common shares outstanding in the computations of income per share to include the additional common shares resulting from these dividends in the earliest periods presented in each of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009 and our Current Report on Form 8-K, issued on October 13, 2009, in which we elected to recast our consolidated financial statements in our Annual Report on Form 10-K/A (Amendment No. 1) for the year ended December 31, 2008. On December 2, 2009, the FASB ratified the consensus reached in EITF 09-E, *Accounting for Distribution to Shareholders with Components of Stock and Cash* ( EITF 09-E ) as codified through Accounting Standards Update ( ASU ) 2010-1 to ASC 505, *Equity*. EITF 09-E requires an entity to include the additional common shares resulting from the stock portion of these distributions prospectively in the periods following their issuance in all computations of income per share rather than retrospectively as we had previously done. As a result, we have adjusted our computations of income per share presented herein to exclude the additional shares resulting from these dividends in periods prior to their issuance. Below is a reconciliation of previously reported income per share to the amounts presented herein.

|                                   | <b>For the Year Ended December 31, 2008</b> |                  | <b>As Adjusted</b> |
|-----------------------------------|---------------------------------------------|------------------|--------------------|
|                                   | <b>As Reported</b>                          | <b>EITF 09-E</b> |                    |
| Income per common share basic:    |                                             |                  |                    |
| Income from continuing operations | \$ 0.92                                     | \$ 0.02          | \$ 0.94            |
| Net income                        | 1.89                                        | 0.07             | 1.96               |
| Income per common share diluted:  |                                             |                  |                    |
| Income from continuing operations | 0.90                                        | 0.01             | 0.91               |
| Net income                        | 1.84                                        | 0.07             | 1.91               |
|                                   |                                             |                  |                    |
|                                   | <b>For the Year Ended December 31, 2007</b> |                  | <b>As Adjusted</b> |
|                                   | <b>As Reported</b>                          | <b>EITF 09-E</b> |                    |
| Income per common share basic:    |                                             |                  |                    |
| Income from continuing operations | \$ 2.70                                     | \$ 0.08          | \$ 2.78            |
| Net income                        | 3.07                                        | 0.11             | 3.18               |
| Income per common share diluted:  |                                             |                  |                    |
| Income from continuing operations | 2.59                                        | 0.07             | 2.66               |
| Net income                        | 2.95                                        | 0.10             | 3.05               |

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Basis of Presentation and Significant Accounting Policies - continued

On January 1, 2009, we adopted the provisions of ASC 470-20, *Debt with Conversion and Other Options*, which was required to be applied retrospectively. The adoption affected the accounting for our convertible and exchangeable senior debentures by requiring the initial proceeds from their sale to be allocated between a debt component and an equity component in a manner that results in interest expense on the debt component at our nonconvertible debt borrowing rate on the date of issue. The initial debt components of our \$1.4 billion Convertible Senior Debentures, \$1 billion Convertible Senior Debentures and \$500 million Exchangeable Senior Debentures were \$1,241,286,000, \$926,361,000 and \$457,699,000, respectively, based on the fair value of similar nonconvertible instruments issued at that time. The aggregate initial debt discount of \$216,655,000 after original issuance costs allocated to the equity component was recorded in additional capital in our consolidated statement of changes in equity. The discount is amortized using the effective interest method over the period the debt is expected to remain outstanding (i.e., the earliest date the holders may require us to repurchase the debentures), which resulted in \$39,546,000 and \$30,418,000 of additional interest expense in the years ended December 31, 2008 and 2007, respectively.

In December 2007, the FASB issued an update to ASC 810, *Consolidation*, which requires a noncontrolling interest in a subsidiary to be reported as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest to be identified in the consolidated financial statements. It also calls for consistency in the manner of reporting changes in the parent's ownership interest and requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. The amended guidance became effective on January 1, 2009 and resulted in (i) the reclassification of minority interests in consolidated subsidiaries to noncontrolling interests in consolidated subsidiaries, a component of permanent equity on our consolidated balance sheets, (ii) the reclassification of minority interest expense to net income attributable to noncontrolling interests, on our consolidated statements of income, and (iii) additional disclosures, including a consolidated statement of changes in equity in quarterly reporting periods.

In December 2007, the FASB issued an update to ASC 805, *Business Combinations*, which applies to all transactions and other events in which one entity obtains control over one or more other businesses. It also broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations; and acquisition related costs will generally be expensed rather than included as part of the basis of the acquisition. The amended guidance also expands required disclosures to improve the ability to evaluate the nature and financial effects of business combinations. The amended guidance became effective for all transactions entered into on or after January 1, 2009. The adoption of this guidance on January 1, 2009 did not have any effect on our consolidated financial statements because there have been no acquisitions during 2009.

In March 2008, the FASB issued an update to ASC 815, *Derivatives and Hedging*, which requires enhanced disclosures related to derivative instruments and hedging activities, including disclosures regarding how an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and the impact of

derivative instruments and related hedged items on an entity's financial position, financial performance and cash flows. It also provided a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock. The amended guidance became effective on January 1, 2009. The adoption of this guidance on January 1, 2009 did not have a material effect on our consolidated financial statements.

In June 2008, the FASB issued an update to ASC 260, *Earnings Per Share*, which requires companies to treat unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents as participating securities and include such securities in the computation of earnings per share pursuant to the two-class method as described in ASC 260. The amended guidance became effective on January 1, 2009 and required all prior period earnings per share data presented, to be adjusted retroactively. The adoption of this guidance on January 1, 2009 did not have a material effect on our computation of income per share.

In April 2009, the FASB issued an amendment to the guidance for other than temporary impairments ( OTTI ) of investments in debt securities, which changes the presentation of OTTI in financial statements. Under this guidance, if an OTTI debt security is intended to be sold or required to be sold prior to the recovery of its carrying amount, the full amount of the impairment loss is charged to earnings. Otherwise, losses on debt securities must be separated into two categories, the portion which is considered credit loss, which is charged to earnings, and the portion due to other factors, which is charged to other comprehensive income (loss), a component of balance sheet equity. When an unrealized loss on a fixed maturity security is not considered OTTI, the unrealized loss continues to be charged to other comprehensive income (loss) and not to earnings. The adoption of this guidance on April 1, 2009 did not have any effect on our consolidated financial statements.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Basis of Presentation and Significant Accounting Policies - continued

In June 2009, the FASB issued an update to ASC 810, *Consolidation*, which modifies the existing quantitative guidance used in determining the primary beneficiary of a variable interest entity ( VIE ) by requiring entities to qualitatively assess whether an enterprise is a primary beneficiary, based on whether the entity has (i) power over the significant activities of the VIE, and (ii) an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The adoption of this guidance on January 1, 2010 did not have a material effect on our consolidated financial statements.

#### *Significant Accounting Policies*

**Real Estate:** Real estate is carried at cost, net of accumulated depreciation and amortization. Betterments, major renewals and certain costs directly related to the improvement and leasing of real estate are capitalized. Maintenance and repairs are expensed as incurred. For redevelopment of existing operating properties, the net book value of the existing property under redevelopment plus the cost for the construction and improvements incurred in connection with the redevelopment are capitalized to the extent the capitalized costs of the property do not exceed the estimated fair value of the redeveloped property when complete. If the cost of the redeveloped property, including the undepreciated net book value of the property carried forward, exceeds the estimated fair value of redeveloped property, the excess is charged to expense. Depreciation is provided on a straight-line basis over estimated useful lives which range from 7 to 40 years. Tenant allowances are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the assets. Additions to real estate include interest expense capitalized during construction of \$17,256,000 and \$63,063,000, for the years ended December 31, 2009 and 2008, respectively.

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, identified intangibles such as acquired above and below-market leases and acquired in-place leases and tenant relationships) and acquired liabilities and we allocate purchase price based on these assessments. We assess fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known trends, and market/economic conditions.

Our properties, including any related intangible assets, are individually reviewed for impairment each quarter, if events or circumstances change indicating that the carrying amount of the assets may not be recoverable. An

impairment exists when the carrying amount of an asset exceeds the aggregate projected future cash flows over the anticipated holding period on an undiscounted basis. An impairment loss is measured based on the excess of the property's carrying amount over its estimated fair value. Impairment analyses are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. If our estimates of the projected future cash flows, anticipated holding periods, or market conditions change, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses. The table below summarizes non-cash impairment and other losses recognized in the years ended December 31, 2009, 2008 and 2007.

(Amounts in thousands)

**For the Year Ended December 31,**

|                                                  | <b>2009</b> | <b>2008</b> | <b>2007</b> |
|--------------------------------------------------|-------------|-------------|-------------|
| Undeveloped land                                 | \$ 38,347   | \$ 12,500   | \$          |
| Real estate development related                  | 28,820      | 40,668      |             |
| Condominium units held for sale (see page 125)   | 13,667      | 23,625      |             |
| Other real estate assets                         | 6,989       | 1,645       |             |
| Cost of real estate acquisitions not consummated |             | 3,009       | 10,375      |
|                                                  | \$ 87,823   | \$ 81,447   | \$ 10,375   |

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Basis of Presentation and Significant Accounting Policies continued

**Identified Intangibles:** We record acquired intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) and acquired intangible liabilities (including below market leases) at their estimated fair value separate and apart from goodwill. We amortize identified intangibles that have finite lives over the period they are expected to contribute directly or indirectly to the future cash flows of the property or business acquired. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of an intangible asset, including related real estate, if appropriate, is not recoverable and its carrying amount exceeds its estimated fair value. As of December 31, 2009 and 2008, the carrying amounts of identified intangible assets, a component of other assets on our consolidated balance sheets, were \$442,510,000 and \$522,719,000, respectively. In addition, the carrying amounts of identified intangible liabilities, a component of deferred credit on our consolidated balance sheets, were \$633,492,000 and \$719,822,000, respectively.

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

Our investments in partially owned entities are reviewed for impairment each quarter, if events or circumstances change indicating that the carrying amount of our investments may not be recoverable. The ultimate realization of our investments in partially owned entities is dependent on a number of factors, including the performance of each investment and market conditions. We will record an impairment loss if we determine that a decline in the value of an investment is other-than-temporary. The table below summarizes non-cash impairment losses recognized on investments in partially owned entities in the years ended December 31, 2009, 2008 and 2007.

| (Amounts in thousands)               | For the Year Ended December 31, |            |      |
|--------------------------------------|---------------------------------|------------|------|
|                                      | 2009                            | 2008       | 2007 |
| Investment in Lexington Realty Trust | \$                              | \$ 107,882 | \$   |
| Other                                | 17,820                          | 96,037     |      |
|                                      | \$ 17,820                       | \$ 203,919 | \$   |

**Mezzanine Loans Receivable:** We invest in mezzanine loans to entities which have significant real estate assets. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. We record these investments at the stated principal amount net of any unamortized discount or premium. We accrete or amortize any discounts or premiums over the life of the related loan receivable utilizing the effective interest method, or straight-line method if the result is not materially different.

We evaluate the collectibility of both interest and principal of each of our loans each quarter, if circumstances warrant, to determine whether they are impaired. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the estimated fair value of the loan or, as a practical expedient, to the value of the collateral if the loan is collateral dependent. Interest on impaired loans is recognized when received in cash. In the years ended December 31, 2009 and 2007, we recorded loss accruals aggregating \$190,738,000 and \$57,000,000, respectively. In 2008, upon sale of a sub-participation in a loan, we reversed \$10,300,000 of the \$57,000,000 loss accrual recognized in 2007. Loss accruals are based on our continuing review of these loans and while management believes it uses the best information available to establish these allowances, future adjustments may become necessary if there are changes in economic conditions or specific circumstances.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Basis of Presentation and Significant Accounting Policies continued

**Cash and Cash Equivalents:** Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. The majority of our cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit. To date, we have not experienced any losses on our invested cash.

**Short-term Investments:** Short-term investments consist of certificates of deposit placed through an account registry service ( CDARS ) with original maturities of 91 to 180 days. These investments are FDIC insured and classified as available-for-sale.

**Restricted Cash:** Restricted cash consists of security deposits, cash restricted in connection with our deferred compensation plan and cash escrowed under loan agreements for debt service, real estate taxes, property insurance and capital improvements.

**Allowance for Doubtful Accounts:** We periodically evaluate the collectibility of amounts due from tenants and maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents. This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. As of December 31, 2009 and 2008, we had \$46,708,000 and \$32,834,000, respectively, in allowances for doubtful accounts. In addition, as of December 31, 2009 and 2008, we had \$4,680,000 and \$5,773,000, respectively, in allowances for receivables arising from the straight-lining of rents.

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

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

- **Base Rent** income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances in which we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.
- **Percentage Rent** income arising from retail tenant leases that is contingent upon the sales of the tenant exceeding a defined threshold. These rents are recognized only after the contingency has been removed (i.e., sales thresholds have been achieved).
- **Hotel Revenue** income arising from the operation of the Hotel Pennsylvania which consists of rooms revenue, food and beverage revenue, and banquet revenue. Income is recognized when rooms are occupied. Food and beverage and banquet revenue is recognized when the services have been rendered.
- **Trade Shows Revenue** income arising from the operation of trade shows, including rentals of booths. This revenue is recognized when the trade shows have occurred.
- **Expense Reimbursements** revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.
- **Management, Leasing and Other Fees** income arising from contractual agreements with third parties or with partially owned entities. This revenue is recognized as the related services are performed under the respective agreements.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Basis of Presentation and Significant Accounting Policies continued

**Condominium Units Held For Sale:** Condominium units held for sale are carried at the lower of cost or expected net sales proceeds. As of December 31, 2009, condominiums held for sale, which are included in other assets on our consolidated balance sheet, aggregate \$187,050,000 and consist of substantially completed units at our 40 East 66<sup>th</sup> Street property in Manhattan, The Bryant in Boston and Granite Park in Pasadena. Revenue from individual condominium unit sales are recognized upon closing of the sale (the completed contract method), as all conditions for full profit recognition have been met at that time. We use the relative sales value method to allocate costs. Net gains on sales of condominiums units are included in net gains on disposition of wholly owned and partially owned assets other than depreciable real estate on our consolidated statements of income. During 2009 and 2008, we recognized non-cash impairment losses related to certain of these condominiums aggregating \$13,667,000 and \$23,625,000, respectively, based on our assessments of the expected net sales proceeds associated with these condominium projects. These losses are included in impairment and other losses on our consolidated statements of income.

**Derivative Instruments and Hedging Activities:** ASC 815, *Derivatives and Hedging*, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As of December 31, 2009 and 2008, our derivative instruments consisted of interest rate caps which did not have a material affect on our consolidated financial statements. As required by ASC 815, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

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

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

**Stock-Based Compensation:** Stock-based compensation consists of awards to certain employees and officers and consists of stock options, restricted stock, restricted Operating Partnership units and out-performance plan awards. We account for all stock-based compensation in accordance with ASC 718, *Compensation - Stock Compensation*.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Basis of Presentation and Significant Accounting Policies continued

**Income Taxes:** We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. We distribute to shareholders 100% of taxable income and therefore, no provision for Federal income taxes is required. Dividend distributions for the year ended December 31, 2009, were characterized, for Federal income tax purposes, as 63.9% ordinary income, 0.9% long-term capital gain and 35.2% return of capital. Dividend distributions for the year ended December 31, 2008 were characterized, for Federal income tax purposes, as 70.8% ordinary income and 29.2% return of capital. Dividend distributions for the year ended December 31, 2007 were characterized, for Federal income tax purposes, as 61.6% ordinary income and 38.4% long-term capital gain.

We have elected to treat certain consolidated subsidiaries, and may in the future elect to treat newly formed subsidiaries, as taxable REIT subsidiaries pursuant to an amendment to the Internal Revenue Code that became effective January 1, 2001. Taxable REIT subsidiaries may participate in non-real estate related activities and/or perform non-customary services for tenants and are subject to Federal and State income tax at regular corporate tax rates. Our taxable REIT subsidiaries had a combined current income tax liability of approximately \$21,481,000 and \$20,837,000 for the years ended December 31, 2009 and 2008, respectively, and have immaterial differences between the financial reporting and tax basis of assets and liabilities.

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

The following table reconciles net income attributable to common shareholders to estimated taxable income for the years ended December 31, 2009, 2008 and 2007.

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| (Amounts in thousands)                         | 2009       | 2008       | 2007       |
|------------------------------------------------|------------|------------|------------|
| Net income attributable to common shareholders | \$ 49,093  | \$ 302,206 | \$ 484,362 |
| Book to tax differences (unaudited):           |            |            |            |
| Depreciation and amortization                  | 247,023    | 233,426    | 145,131    |
| Mezzanine loans receivable                     | 171,380    | (51,893 )  | 51,682     |
| Straight-line rent adjustments                 | (83,959 )  | (82,901 )  | (70,450 )  |
| Earnings of partially owned entities           | (82,382 )  | (50,855 )  | 12,093     |
| Stock options                                  | (32,643 )  | (71,995 )  | (88,752 )  |
| Sale of real estate                            | 3,923      | 3,687      | (57,386 )  |
| Reversal of deferred tax liability             |            | (202,267 ) |            |
| Derivatives                                    |            | 43,218     | 131,711    |
| Other, net                                     | 81,936     | 171,763    | 13,256     |
| Estimated taxable income                       | \$ 354,371 | \$ 294,389 | \$ 621,647 |

The net basis of our assets and liabilities for tax reporting purposes is approximately \$3.1 billion lower than the amount reported in our consolidated financial statements.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Investments in Partially Owned Entities

#### Toys

As of December 31, 2009, we own 32.7% of Toys. The business of Toys is highly seasonal. Historically, Toys' fourth quarter net income accounts for more than 80% of its fiscal year net income. We account for our investment in Toys under the equity method and because Toys' fiscal year ends on the Saturday nearest January 31, we record our 32.7% share of Toys' net income or loss on a one-quarter lag basis. As of December 31, 2009, the carrying amount of our investment in Toys does not differ materially from our share of the equity in net assets of Toys on a purchase accounting basis.

During 2009, we recognized \$13,946,000 for our share of income from the reversal of previously recognized deferred financing cost amortization expense, which we initially recorded as a reduction of the basis of our investment in Toys. During 2008, in connection with an audit of Toys' purchase accounting basis financial statements for its fiscal years 2006 and 2007, it was determined that the purchase accounting basis income tax expense was understated. Accordingly, we recognized \$14,900,000 of income tax expense for our share of this non-cash charge. This non-cash charge had no effect on cash actually paid for income taxes or Toys' previously issued Recap basis consolidated financial statements.

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

(Amounts in thousands)

| Balance Sheet:           | As of October 31, 2009 | As of November 1, 2008 |
|--------------------------|------------------------|------------------------|
| Assets                   | \$ 12,589,000          | \$ 12,410,000          |
| Liabilities              | 11,198,000             | 11,393,000             |
| Noncontrolling interests | 112,000                | 88,000                 |
| Toys R Us, Inc. equity   | 1,279,000              | 929,000                |

|                   | For the Twelve Months Ended |                  |                  |
|-------------------|-----------------------------|------------------|------------------|
| Income Statement: | October 31, 2009            | November 1, 2008 | November 3, 2007 |
| Total revenue     | \$ 13,172,000               | \$ 14,090,000    | \$ 13,646,000    |

|                      |         |         |         |   |
|----------------------|---------|---------|---------|---|
| Net income (loss)    | 216,000 | (13,000 |         |   |
| attributable to Toys |         | )       | (65,000 | ) |

## **Alexander s, Inc. (NYSE: ALX) ( Alexander s )**

At December 31, 2009 and 2008, we owned 32.4% and 32.5%, respectively, of the outstanding common shares of Alexander s. We manage, lease and develop Alexander s properties pursuant to the agreements described below which expire in March of each year and are automatically renewable. At December 31, 2009 the market value ( fair value pursuant to ASC 820) of our investment in Alexander s, based on Alexander s December 31, 2009 closing share price of \$304.42, was \$503,531,000, or \$310,357,000 in excess of the carrying amount on our consolidated balance sheet.

As of December 31, 2009, the carrying amount of our investment in Alexander s excluding amounts owed to us, exceeds our share of the equity in the net assets of Alexander s by approximately \$61,261,000. The majority of this basis difference resulted from the excess of our purchase price for the Alexander s common stock acquired over the book value of Alexander s net assets. Substantially all of this basis difference was allocated, based on our estimates of the fair values of Alexander s assets and liabilities, to real estate (land and buildings). We are amortizing the basis difference related to the buildings into earnings as additional depreciation expense over their estimated useful lives. This depreciation is not material to our share of equity in Alexander s net income or loss. The basis difference related to the land will be recognized upon disposition of our investment.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Investments in Partially Owned Entities - continued

#### *Management and Development Agreements*

We receive an annual fee for managing Alexander's and all of its properties equal to the sum of (i) \$3,000,000, (ii) 3% of the gross income from the Kings Plaza Regional Shopping Center, (iii) \$0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue and (iv) \$241,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue.

In addition, we are entitled to a development fee of 6% of development costs, as defined, with a minimum guaranteed payment of \$750,000 per annum. During the years ended December 31, 2009, 2008 and 2007, we recognized \$2,710,000, \$4,101,000 and \$4,482,000, respectively, of development fee income.

#### *Leasing Agreements*

We provide Alexander's with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through twentieth year of a lease term and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by Alexander's tenants. In the event third-party real estate brokers are used, our fee increases by 1% and we are responsible for the fees to the third-parties. We are also entitled to a commission upon the sale of any of Alexander's assets equal to 3% of gross proceeds, as defined, for asset sales less than \$50,000,000, or 1% of gross proceeds, as defined, for asset sales of \$50,000,000 or more. The total of these amounts is payable to us in annual installments in an amount not to exceed \$4,000,000 with interest on the unpaid balance at one-year LIBOR plus 1.0% (3.02% at December 31, 2009).

#### *Other Agreements*

Building Maintenance Services ( BMS ), our wholly-owned subsidiary, supervises the cleaning, engineering and security services at Alexander's 731 Lexington Avenue and Kings Plaza properties for an annual fee of the costs for such services plus 6%. During the years ended December 31, 2009, 2008 and 2007, we recognized \$2,083,000, \$2,083,000 and \$3,016,000 of income, respectively, under these agreements.

Below is a summary of Alexander's latest available financial information:

(Amounts in thousands)

| Balance Sheet:           | As of December 31, 2009 | As of December 31, 2008 |
|--------------------------|-------------------------|-------------------------|
| Assets                   | \$ 1,704,000            | \$ 1,604,000            |
| Liabilities              | 1,389,000               | 1,423,000               |
| Noncontrolling interests | 2,000                   | 2,000                   |
| Equity                   | 313,000                 | 179,000                 |

|                                        | For the Year Ended |                   |                   |
|----------------------------------------|--------------------|-------------------|-------------------|
| Income Statement:                      | December 31, 2009  | December 31, 2008 | December 31, 2007 |
| Total revenue                          | \$ 224,000         | \$ 211,000        | \$ 208,000        |
| Net income attributable to Alexander's | 133,000            | 76,000            | 114,000           |

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Investments in Partially Owned Entities - continued

#### Lexington Realty Trust ( Lexington ) (NYSE: LXP)

Prior to October 28, 2008, we owned 8,149,592 limited partnership units of Lexington Master Limited Partnership which were exchangeable on a one-for-one basis into Lexington common shares, or a 7.7% limited partnership interest. On October 28, 2008, we acquired 8,000,000 Lexington common shares for \$5.60 per share, or \$44,800,000. The purchase price consisted of \$22,400,000 in cash and a \$22,400,000 margin loan recourse only to the 8,000,000 shares acquired. In addition, we exchanged our existing limited partnership units in Lexington MLP for 8,149,592 Lexington common shares. As of December 31, 2009, we own 18,468,969 Lexington common shares, or approximately 15.2% of Lexington's common equity. We account for our investment in Lexington on the equity method because we believe we have the ability to exercise significant influence over Lexington's operating and financial policies, based on, among other factors, our representation on Lexington's Board of Trustees and the level of our ownership in Lexington compared to that of other shareholders. We record our pro rata share of Lexington's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements.

Based on Lexington's December 31, 2009 closing share price of \$6.08, the market value (fair value pursuant to ASC 820) of our investment in Lexington was \$112,291,000, or \$57,185,000 in excess of the carrying amount on our consolidated balance sheet. During 2009, we recognized \$19,121,000 for our share of impairment losses recorded by Lexington related to its investment in Concord Debt Holdings LLC. During 2008, we concluded that our investment in Lexington was other-than-temporarily impaired and recognized an aggregate non-cash impairment loss of \$107,882,000. Our conclusion was based on the deterioration in the capital and financial markets and our inability to forecast a recovery in the near-term. These losses are included as a component of (loss) income from partially owned entities, on our consolidated statements of income.

As of December 31, 2009, the carrying amount of our investment in Lexington was less than our share of the equity in the net assets of Lexington by approximately \$87,579,000. This basis difference resulted primarily from the aggregate of \$107,882,000 of non-cash impairment losses recognized during 2008. The remainder of the basis difference related to purchase accounting for our acquisition of an additional 8,000,000 common shares of Lexington in October 2008, of which the majority relates to our estimate of the fair values of Lexington's real estate (land and buildings) as compared to their carrying amounts in Lexington's consolidated financial statements. We are amortizing the basis difference related to the buildings into earnings as additional depreciation expense over their estimated useful lives. This depreciation is not material to our share of equity in Lexington's net income or loss. The basis difference attributable to the land will be recognized upon disposition of our investment.

Below is a summary of Lexington's latest available financial information:

(Amounts in thousands)

|                          | <b>As of<br/>September 30, 2009</b> | <b>As of<br/>September 30, 2008</b> |
|--------------------------|-------------------------------------|-------------------------------------|
| Balance Sheet:           |                                     |                                     |
| Assets                   | \$ 3,702,000                        | \$ 4,294,000                        |
| Liabilities              | 2,344,000                           | 2,745,000                           |
| Noncontrolling interests | 94,000                              | 625,000                             |
| Shareholders' equity     | 1,264,000                           | 924,000                             |

|                                             | <b>For the Twelve Months Ended</b> |                           |                           |
|---------------------------------------------|------------------------------------|---------------------------|---------------------------|
|                                             | <b>September 30, 2009</b>          | <b>September 30, 2008</b> | <b>September 30, 2007</b> |
| Income Statement:                           |                                    |                           |                           |
| Total revenue                               | \$ 399,000                         | \$ 447,000                | \$ 387,000                |
| Net (loss) income attributable to Lexington | (177,000)                          | 49,000                    | 62,000                    |

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# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Investments in Partially Owned Entities - continued

#### GMH

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

#### Real Estate Joint Ventures    Development Costs

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

#### *Condensed Combined Financial Information of Partially Owned Entities*

The following is a summary of combined financial information for all of our partially owned entities, including Toys, Alexander's and Lexington, as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007.

(Amounts in thousands)

|                          | <b>December 31,</b> |            |             |            |
|--------------------------|---------------------|------------|-------------|------------|
| <b>Balance Sheet:</b>    | <b>2009</b>         |            | <b>2008</b> |            |
| Assets                   | \$                  | 23,188,000 | \$          | 23,694,000 |
| Liabilities              |                     | 18,164,000 |             | 18,787,000 |
| Noncontrolling interests |                     | 227,000    |             | 739,000    |
| Equity                   |                     | 4,797,000  |             | 4,168,000  |

**For the Years Ended December 31,**

| <b>Income Statement:</b> | <b>2009</b>   | <b>2008</b>   | <b>2007</b>   |
|--------------------------|---------------|---------------|---------------|
| Total revenue            | \$ 14,337,000 | \$ 15,313,000 | \$ 14,821,000 |
| Net loss                 | (51,000)      | (54,000 )     | (144,000 )    |

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# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Investments in Partially Owned Entities continued

Investments in partially owned entities as of December 31, 2009 and 2008 and income recognized from these investments for the years ended December 31, 2009, 2008 and 2007 are as follows:

| <b>Investments:</b><br>(Amounts in thousands) | <b>Percentage<br/>Ownership as of<br/>December 31,<br/>2009</b> | <b>As of December 31,</b> |             |
|-----------------------------------------------|-----------------------------------------------------------------|---------------------------|-------------|
|                                               |                                                                 | <b>2009</b>               | <b>2008</b> |
| Toys (see page 127)                           | 32.7%                                                           | \$ 409,453                | \$ 293,096  |
| Alexander's (see page 127)                    | 32.4%                                                           | \$ 193,174                | \$ 137,305  |
| Partially owned office buildings (1)          | (1)                                                             | 158,444                   | 157,468     |
| India real estate ventures                    | 4%-36.5%                                                        | 93,322                    | 88,858      |
| Lexington (see page 129)                      | 15.2%                                                           | 55,106                    | 80,748      |
| Other equity method investments (2)           | (2)                                                             | 299,786                   | 325,775     |
|                                               |                                                                 | \$ 799,832                | \$ 790,154  |

### Our Share of Net Income (Loss):

(Amounts in thousands)

### For the Years Ended December 31,

2009

2008

2007

### Toys:

32.7% share of:

|                                                 |           |     |           |             |          |
|-------------------------------------------------|-----------|-----|-----------|-------------|----------|
| Equity in net income (loss) before income taxes | \$ 58,416 | (3) | \$ 53,867 | \$ (31,855) | )        |
| Income tax benefit (expense)                    | 13,185    |     | (44,752)  | )           | 10,898   |
| Equity in net income (loss)                     | 71,601    |     | 9,115     |             | (20,957) |
| Non-cash purchase price accounting adjustments  | 13,946    |     | (14,900)  | )           |          |
| Interest and other income                       | 6,753     |     | 8,165     |             | 6,620    |
|                                                 | \$ 92,300 |     | \$ 2,380  | \$ (14,337) | )        |

### Alexander's:

32.4% share in 2009, 32.5% in 2008 and 32.8% in 2007 of:

|                                                                                        |           |     |           |           |
|----------------------------------------------------------------------------------------|-----------|-----|-----------|-----------|
| Equity in net income before reversal of stock appreciation rights compensation expense | \$ 31,659 | (4) | \$ 17,484 | \$ 23,044 |
| Reversal of stock appreciation rights compensation expense                             | 11,105    |     | 6,583     | 14,280    |
| Equity in net income                                                                   | 42,764    |     | 24,067    | 37,324    |
| Management and leasing fees                                                            | 8,055     |     | 8,503     | 8,783     |
| Development fees                                                                       | 2,710     |     | 4,101     | 4,482     |
|                                                                                        | \$ 53,529 |     | \$ 36,671 | \$ 50,589 |

### Lexington (see page 129)

India Real Estate Ventures - 4% - 36.5% share

of equity in net losses

|  |             |      |              |      |          |
|--|-------------|------|--------------|------|----------|
|  | \$ (25,665) | )(5) | \$ (105,630) | )(6) | \$ 2,211 |
|  | (1,636)     | )    | (3,336)      | )    |          |

|                           |            |      |             |      |           |
|---------------------------|------------|------|-------------|------|-----------|
| <b>GMH</b> (see page 130) |            |      |             |      | 6,463     |
| <b>Other</b>              | (46,138    | )(7) | (86,912     | )(8) | 23,217    |
|                           | \$ (73,439 | )    | \$ (195,878 | )    | \$ 31,891 |

---

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

(2) Includes interests in Monmouth Mall, Verde Realty Operating Partnership ( Verde ) 85<sup>th</sup> Avenue Associates and redevelopment ventures including Harlem Park and Farley.

(3) Includes \$10,200 for our share of income from a litigation settlement.

(4) Includes \$13,668 for our share of an income tax benefit.

(5) 2009 includes \$19,121 for our share of impairment losses recorded by Lexington on its investment in Concord Debt Holdings LLC.

(6) 2008 includes \$107,882 of impairment losses on our investment in Lexington.

(7) Includes \$17,820 of impairment losses, substantially all of which is on our investment in Verde, and \$7,650 of expense for our share of the Downtown Crossing, Boston lease termination payment.

(8) Includes \$96,037 of non-cash charges for the write-off of our share of certain partially owned entities development costs, including \$37,000 for Downtown Crossing, Boston and \$23,000 for the arena move /Moynihan East portions of the Farley project.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Investments in Partially Owned Entities - continued

Below is a summary of the debt of partially owned entities as of December 31, 2009 and 2008, none of which is recourse to us.

|                                                                                                                                                                                 | <b>100% of<br/>Partially Owned<br/>Entities Debt at<br/>December 31,<br/>2009      31,<br/>2008</b> |           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-----------|
| (Amounts in thousands)                                                                                                                                                          |                                                                                                     |           |
| Toys (32.7% interest) (as of October 31, 2009 and November 1, 2008, respectively):                                                                                              |                                                                                                     |           |
| 10.75% senior unsecured notes, due 2017 (Face value \$950,000) <sup>(1)</sup>                                                                                                   | \$925,931                                                                                           | \$        |
| \$1.3 billion senior credit facility <sup>(1)</sup>                                                                                                                             |                                                                                                     | 1,300,000 |
| \$2.0 billion credit facility, due 2012, LIBOR plus 1.00% 4.25% <sup>(2)</sup>                                                                                                  | 418,777                                                                                             | 367,000   |
| Mortgage loan, due 2010, LIBOR plus 1.30% (1.55% at December 31, 2009) <sup>(3)</sup>                                                                                           | 800,000                                                                                             | 800,000   |
| \$804 million secured term loan facility, due 2012, LIBOR plus 4.25%<br>(4.48% at December 31, 2009)                                                                            | 797,911                                                                                             | 797,000   |
| Senior U.K. real estate facility, due 2013, with interest at 5.02%                                                                                                              | 578,982                                                                                             | 568,000   |
| 7.625% bonds, due 2011 (Face value \$500,000)                                                                                                                                   | 490,613                                                                                             | 486,000   |
| 7.875% senior notes, due 2013 (Face value \$400,000)                                                                                                                            | 381,293                                                                                             | 377,000   |
| 7.375% senior notes, due 2018 (Face value \$400,000)                                                                                                                            | 338,989                                                                                             | 335,000   |
| 4.51% Spanish real estate facility, due 2013                                                                                                                                    | 191,436                                                                                             | 167,000   |
| \$181 million unsecured term loan facility, due 2013, LIBOR plus 5.00%<br>(5.23% at December 31, 2009)                                                                          | 180,456                                                                                             | 180,000   |
| Japan bank loans, due 2011 2014, 1.20% 2.85%                                                                                                                                    | 172,902                                                                                             | 158,000   |
| Japan borrowings, due 2010 2011 (weighted average rate of 0.92% at December 31, 2009)                                                                                           | 168,720                                                                                             | 289,000   |
| European and Australian asset-based revolving credit facility, due 2012, LIBOR/EURIBOR plus<br>4.00% (4.52% at December 31, 2009)                                               | 102,760                                                                                             |           |
| 6.84% Junior U.K. real estate facility, due 2013                                                                                                                                | 101,861                                                                                             | 101,000   |
| 4.51% French real estate facility, due 2013                                                                                                                                     | 92,353                                                                                              | 81,000    |
| 8.750% debentures, due 2021 (Face value \$22,000)                                                                                                                               | 21,022                                                                                              | 21,000    |
| Other                                                                                                                                                                           | 136,206                                                                                             | 73,000    |
|                                                                                                                                                                                 | 5,900,212                                                                                           | 6,100,000 |
| Alexander's (32.4% interest):                                                                                                                                                   |                                                                                                     |           |
| 731 Lexington Avenue mortgage note payable collateralized by the office space,<br>due in February 2014, with interest at 5.33% (prepayable without penalty after December 2013) | 362,989                                                                                             | 373,637   |
| 731 Lexington Avenue mortgage note payable, collateralized by the retail space,<br>due in July 2015, with interest at 4.93% (prepayable without penalty after December 2013)    | 320,000                                                                                             | 320,000   |
| Rego Park construction loan payable, due in December 2010, LIBOR plus 1.20%<br>(1.48% at December 31, 2009)                                                                     | 266,411                                                                                             | 181,695   |
|                                                                                                                                                                                 | 183,319                                                                                             | 199,537   |

|                                                                                                                                                                                  |           |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Kings Plaza Regional Shopping Center mortgage note payable, due in June 2011, with interest at 7.46% (prepayable without penalty after December 2010)                            |           |           |
| Rego Park mortgage note payable, due in March 2012 (prepayable without penalty) <sup>(4)</sup>                                                                                   | 78,246    | 78,386    |
| Paramus mortgage note payable, due in October 2011, with interest at 5.92% (prepayable without penalty)                                                                          | 68,000    | 68,000    |
|                                                                                                                                                                                  | 1,278,965 | 1,221,255 |
| Lexington (15.2% interest) (as of September 30, 2009 and September 30, 2008, respectively)                                                                                       |           |           |
| Mortgage loans collateralized by the trust's real estate, due from 2010 to 2037, with a weighted average interest rate of 5.63% at September 30, 2009 (various prepayment terms) | 2,132,253 | 2,486,370 |

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(1) On July 9, 2009, Toys issued \$950 million aggregate principal amount of 10.75% Senior Unsecured Notes due 2017. The proceeds from the issuance, along with existing cash, were used to repay the outstanding balance under its \$1.3 billion senior credit facility, which was subsequently terminated.

(2) On June 24, 2009, Toys extended this credit facility, which was to expire in July 2010, to May 2012. The borrowing capacity under the amended facility will remain at \$2.0 billion through the original maturity date in July 2010 and will continue at \$1.5 billion thereafter. The interest rate is LIBOR plus 3.20%, which may vary based on availability, through July 2010 and LIBOR plus 4.00%, subject to usage, thereafter.

(3) This debt was refinanced with the proceeds of a \$725 million 8.50% senior secured note offering due 2017.

(4) On March 10, 2009, the \$78,246 outstanding balance of the Rego Park I mortgage loan, which was scheduled to mature in June 2009, was repaid and simultaneously refinanced in the same amount. The new loan bears interest at 75 basis points, is secured by the property and is 100% cash collateralized. The proceeds of the new loan were placed in a non-interest bearing restricted mortgage escrow account.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Investments in Partially Owned Entities continued

| (Amounts in thousands)                                                                                                                                                                                                                                                                                                | 100% of<br>Partially Owned<br>Entities Debt at<br>December 31,<br>2009 | December 31,<br>2008 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------------|
| Partially owned office buildings:                                                                                                                                                                                                                                                                                     |                                                                        |                      |
| Kaempfer Properties (2.5% and 5.0% interests in two partnerships) mortgage notes payable, collateralized by the partnerships' real estate, due 2011, with a weighted average interest rate of 5.83% at December 31, 2009 (various prepayment terms)                                                                   | \$ 141,547                                                             | \$ 143,000           |
| 100 Van Ness, San Francisco office complex (9% interest) up to \$132 million construction loan payable, due in July 2013, LIBOR plus 2.75% (2.98% at December 31, 2009) with an interest rate floor of 6.50% and interest rate cap of 7.00%                                                                           | 85,249                                                                 | 85,249               |
| 330 Madison Avenue (25% interest) \$150,000 mortgage note payable, due in June 2015, LIBOR plus 1.50% (1.78% at December 31, 2009)                                                                                                                                                                                    | 150,000                                                                | 70,000               |
| Fairfax Square (20% interest) mortgage note payable, due in December 2014, with interest at 7.00% (prepayable without penalty after July 2014)                                                                                                                                                                        | 72,500                                                                 | 62,815               |
| Rosslyn Plaza (46% interest) mortgage note payable, due in December 2011, LIBOR plus 1.0% (1.24% at December 31, 2009)                                                                                                                                                                                                | 56,680                                                                 | 56,680               |
| West 57 <sup>th</sup> Street (50% interest) mortgage note payable with interest at 4.94% <sup>(1)</sup>                                                                                                                                                                                                               | 29,000                                                                 | 29,000               |
| 825 Seventh Avenue (50% interest) mortgage note payable, due in October 2014, with interest at 8.07% (prepayable without penalty after April 2014)                                                                                                                                                                    | 20,773                                                                 | 21,426               |
| India Real Estate Ventures:                                                                                                                                                                                                                                                                                           |                                                                        |                      |
| TCG Urban Infrastructure Holdings (25% interest) mortgage notes payable, collateralized by the entity's real estate, due from 2010 to 2022, with a weighted average interest rate of 13.52% at December 31, 2009 (various prepayment terms)                                                                           | 178,553                                                                | 148,792              |
| India Property Fund L.P. (36.5% interest) \$120 million secured revolving credit facility, due in March 2010, LIBOR plus 5.00% (5.23% at December 31, 2009)                                                                                                                                                           | 77,000                                                                 | 90,500               |
| Waterfront Associates, LLC (2.5% interest) construction and land loan up to \$250 million payable, due in September 2011 with a six month extension option, LIBOR plus 2.00% - 3.50% (2.48% at December 31, 2009)                                                                                                     | 183,742                                                                | 57,600               |
| Verde Realty Operating Partnership (8.5% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2010 to 2025, with a weighted average interest rate of 5.89% at December 31, 2009 (various prepayment terms)                                                                     | 607,089                                                                | 559,840              |
| Green Courte Real Estate Partners, LLC (8.3% interest) (as of September 30, 2009 and September 30, 2008, respectively) mortgage notes payable, collateralized by the partnerships' real estate, due from 2009 to 2017, with a weighted average interest rate of 5.24% at December 31, 2009 (various prepayment terms) | 304,481                                                                | 307,098              |
| Monmouth Mall (50% interest) mortgage note payable, due in September 2015, with interest at 5.44% (prepayable without penalty after July 2015)                                                                                                                                                                        | 165,000                                                                | 165,000              |
|                                                                                                                                                                                                                                                                                                                       | 132,570                                                                | 132,128              |

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San Jose, California Ground-up Development (45% interest) construction loan, due in March 2010, \$100 million fixed at 3.30%, balance at LIBOR plus 2.54% (2.79% at December 31, 2009)

|                                                                                                           |         |         |
|-----------------------------------------------------------------------------------------------------------|---------|---------|
| Wells/Kinzie Garage (50% interest) mortgage note payable, due in December 2013, with interest at 6.87%    | 14,657  | 14,800  |
| Orleans Hubbard Garage (50% interest) mortgage note payable, due in December 2013, with interest at 6.87% | 10,101  | 10,200  |
| Other                                                                                                     | 425,717 | 468,559 |

---

(1) On February 19, 2010, this loan was refinanced in the amount of \$23,200 for a three-year term with interest fixed at 4.94%.

Based on our ownership interest in the partially owned entities above, our pro rata share of the debt of these partially owned entities was \$3,149,640,000 and \$3,196,585,000 as of December 31, 2009 and 2008, respectively.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Marketable Securities

We classify equity securities that we intend to buy and sell on a short-term basis as trading securities; debt securities and mandatorily redeemable preferred stock investments that we have the intent and ability to hold to maturity as held-to-maturity securities; and debt and equity securities we intend to hold for an indefinite period of time as available-for-sale securities. Trading securities are presented at fair value at the end of each reporting period, with any unrealized gains or losses included in earnings; held-to-maturity securities are presented at amortized cost at the end of each reporting period and unrealized gains and losses are not recognized; and available-for-sale marketable equity securities are presented at fair value at the end of each reporting period, with any unrealized gains or losses included as a separate component of equity (i.e., as an element of other comprehensive income). Realized gains and losses on debt and equity securities are recognized in earnings upon the sale of the securities and are recorded based on the weighted average cost of such securities.

We evaluate our portfolio of marketable securities for impairment each reporting period. For each of the securities in our portfolio with unrealized losses, we review the underlying cause of the decline in value and the estimated recovery period, as well as the severity and duration of the decline. In our evaluation, we consider our ability and intent to hold these investments for a reasonable period of time sufficient for us to recover our cost basis. We also evaluate the near-term prospects for each of these investments in relation to the severity and duration of the decline.

During 2009 and 2008, we concluded that certain of our investments in marketable securities were other-than-temporarily impaired and recognized an aggregate of \$3,361,000 and \$76,352,000, respectively, of non-cash impairment losses. These charges are included as a component of interest and other investment (loss) income, net on our consolidated statements of income. Our conclusions were based on the severity and duration of the decline in the market value of these securities and our inability to forecast a recovery in the near term. No impairment losses were recognized in the year ended December 31, 2007.

The carrying amount of marketable securities on consolidated balance sheets and their corresponding fair values at December 31, 2009 and 2008 are as follows:

| (Amounts in thousands)           | As of December 31, 2009 |            | As of December 31, 2008 |            |
|----------------------------------|-------------------------|------------|-------------------------|------------|
|                                  | Carrying Amount         | Fair Value | Carrying Amount         | Fair Value |
| Marketable equity securities     | \$ 79,925               | \$ 79,925  | \$ 118,438              | \$ 118,438 |
| Debt securities held-to-maturity | 300,727                 | 319,393    | 215,884                 | 164,728    |

\$ 380,652      \$ 399,318      \$ 334,322      \$ 283,166

At December 31, 2009, aggregate unrealized gains and losses were \$13,026,000 and \$1,223,000, respectively. At December 31, 2008, aggregate unrealized gains and losses were \$164,000 and \$2,225,000, respectively.

During the years ended December 31, 2009, 2008 and 2007, we sold certain of our investments in marketable securities for an aggregate of \$64,355,000, \$51,185,000, and \$112,779,000 in cash, respectively. In connection therewith, we recognized \$3,834,000, \$2,028,000 and \$39,493,000, respectively, of net gains from the sale of such securities, which are included as a component of net gain on disposition of wholly owned and partially owned assets other than depreciable real estate on our consolidated statements of income.

# VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Mezzanine Loans Receivable

The following is a summary of our investments in mezzanine loans as of December 31, 2009 and 2008.

| (Amounts in thousands)                 |           | Interest Rate<br>as of<br>December 31,<br>2009 | Carrying Amount as of<br>December 31,<br>2009 | December 31,<br>2008 |
|----------------------------------------|-----------|------------------------------------------------|-----------------------------------------------|----------------------|
| Mezzanine Loans Receivable:            | Maturity  |                                                |                                               |                      |
| Equinox (1)                            | 02/13     | 14.00%                                         | \$ 97,968                                     | \$ 85,796            |
| Tharaldson Lodging Companies (2)       | 04/10     | 4.47%                                          | 74,701                                        | 76,341               |
| Riley HoldCo Corp. (3)                 | 02/15     | 10.00%                                         | 74,437                                        | 74,381               |
| 280 Park Avenue (4)                    | 06/16     | 10.25%                                         | 73,750                                        | 73,750               |
| Charles Square Hotel, Cambridge<br>(5) | (5)       | (5)                                            |                                               | 41,796               |
| Other, net                             | 7/13-8/15 | 5.86%-8.40%                                    | 73,168                                        | 167,175              |
|                                        |           |                                                | 394,024                                       | 519,239              |
| Valuation allowance (6)                |           |                                                | (190,738 )                                    | (46,700 )            |
|                                        |           |                                                | \$ 203,286                                    | \$ 472,539           |

(1) On January 28, 2010, Equinox pre-paid the entire balance of this loan plus accrued interest. We received \$99,314, including accrued interest, for our 50% interest in the loan which we acquired in 2006 for \$57,500.

(2) On June 16, 2006, we acquired an 81.5% interest in a \$95,968 mezzanine loan to Tharaldson Lodging Companies for \$78,166 in cash. The loan is secured by a 107 hotel property portfolio with brands including Fairfield Inn, Residence Inn, Comfort Inn and Courtyard by Marriott. The loan is subordinate to \$671,778 of debt and is senior to approximately \$192,000 of other debt and equity. The loan provides for a 0.75% placement fee and bears interest at LIBOR plus 4.25% (4.47% at December 31, 2009). The borrower has a one-year extension option.

(3) In 2005, we made a \$135,000 loan to Riley HoldCo Corp., consisting of a \$60,000 mezzanine loan and a \$75,000 fixed rate unsecured loan. During 2006, we were repaid the \$60,000 balance of the mezzanine loan.

(4) On June 30, 2006, we made a \$73,750 mezzanine loan secured by the equity interests in 280 Park Avenue, a 1.2 million square foot office building, located between 48th and 49th Streets in Manhattan. The loan bears interest at

10.25% and matures in June 2016. The loan is subordinate to \$1.036 billion of other debt and is senior to approximately \$260,000 of equity and interest reserves.

(5) On June 1, 2009, this loan, which was scheduled to mature in September 2009, was repaid.

(6) Represents loan loss accruals on certain mezzanine loans based on our estimate of the net realizable value of each loan. Our estimates are based on the present value of expected cash flows, discounted at each loan's effective interest rate, or if a loan is collateralized, based on the fair value of the underlying collateral, adjusted for estimated costs to sell. The excess of the carrying amount over the net realizable value of a loan is recognized as a reduction of interest and other investment (loss) income, net in our consolidated statement of income.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**6. Identified Intangible Assets**

The following summarizes our identified intangible assets (primarily acquired above-market leases) and intangible liabilities (primarily acquired below-market leases) as of December 31, 2009 and December 31, 2008.

| (Amounts in thousands)                                                  | Balance as of<br>December 31,<br>2009 | December 31,<br>2008 |
|-------------------------------------------------------------------------|---------------------------------------|----------------------|
| <b>Identified intangible assets (included in other assets):</b>         |                                       |                      |
| Gross amount                                                            | \$ 755,467                            | \$ 780,476           |
| Accumulated amortization                                                | (312,957 )                            | (257,757 )           |
| Net                                                                     | \$ 442,510                            | \$ 522,719           |
| <b>Identified intangible liabilities (included in deferred credit):</b> |                                       |                      |
| Gross amount                                                            | \$ 942,968                            | \$ 998,179           |
| Accumulated amortization                                                | (309,476 )                            | (278,357 )           |
| Net                                                                     | \$ 633,492                            | \$ 719,822           |

Amortization of acquired below-market leases, net of acquired above-market leases resulted in an increase to rental income of \$72,481,000, \$96,176,000 and \$83,274,000 for the years ended December 31, 2009, 2008 and 2007, respectively. Estimated annual amortization of acquired below-market leases, net of acquired above-market leases for each of the five succeeding years is as follows:

|                        |           |
|------------------------|-----------|
| (Amounts in thousands) |           |
| 2010                   | \$ 62,740 |
| 2011                   | 58,697    |
| 2012                   | 54,404    |
| 2013                   | 46,471    |
| 2014                   | 40,512    |

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was \$64,529,000, \$86,388,000 and \$45,654,000 for the years ended December 31, 2009, 2008 and 2007, respectively. The estimated annual amortization of all other identified intangible assets, including acquired in-place leases, customer

relationships and third party contracts for each of the five succeeding years is as follows:

(Amounts in thousands)

|      |    |        |
|------|----|--------|
| 2010 | \$ | 54,069 |
| 2011 |    | 51,775 |
| 2012 |    | 46,446 |
| 2013 |    | 38,957 |
| 2014 |    | 20,149 |

We are a tenant under ground leases for certain properties. Amortization of these acquired below-market leases resulted in an increase to rent expense of \$1,831,000, \$2,654,000 and \$1,565,000 for the years ended December 31, 2009, 2008 and 2007, respectively. Estimated annual amortization of these below market leases for each of the five succeeding years is as follows:

(Amounts in thousands)

|      |    |       |
|------|----|-------|
| 2010 | \$ | 2,157 |
| 2011 |    | 2,157 |
| 2012 |    | 2,157 |
| 2013 |    | 2,157 |
| 2014 |    | 2,157 |

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7. Debt

The following is a summary of our debt:

| (Amounts in thousands)                                                               |              | Balance at                                  |                      |                      |
|--------------------------------------------------------------------------------------|--------------|---------------------------------------------|----------------------|----------------------|
| Notes and mortgages payable:                                                         | Maturity (1) | Interest Rate<br>at<br>December 31,<br>2009 | December 31,<br>2009 | December 31,<br>2008 |
| <b>Fixed rate:</b>                                                                   |              |                                             |                      |                      |
| New York Office:                                                                     |              |                                             |                      |                      |
| 1290 Avenue of the Americas                                                          | 01/13        | 5.97%                                       | \$ 434,643           | \$ 444,667           |
| 350 Park Avenue                                                                      | 01/12        | 5.48%                                       | 430,000              | 430,000              |
| 770 Broadway                                                                         | 03/16        | 5.65%                                       | 353,000              | 353,000              |
| 888 Seventh Avenue                                                                   | 01/16        | 5.71%                                       | 318,554              | 318,554              |
| Two Penn Plaza                                                                       | 02/11        | 4.97%                                       | 282,492              | 287,386              |
| 909 Third Avenue                                                                     | 04/15        | 5.64%                                       | 210,660              | 214,074              |
| Eleven Penn Plaza                                                                    | 12/11        | 5.20%                                       | 203,198              | 206,877              |
| Washington, DC Office:                                                               |              |                                             |                      |                      |
| Skyline Place                                                                        | 02/17        | 5.74%                                       | 678,000              | 678,000              |
| Warner Building                                                                      | 05/16        | 6.26%                                       | 292,700              | 292,700              |
| River House Apartments                                                               | 04/15        | 5.43%                                       | 195,546              | 195,546              |
| 1215 Clark Street, 200 12 <sup>th</sup> Street<br>and 251 18 <sup>th</sup> Street    | 01/25        | 7.09%                                       | 113,267              | 115,440              |
| Bowen Building                                                                       | 06/16        | 6.14%                                       | 115,022              | 115,022              |
| Reston Executive I, II and III                                                       | 01/13        | 5.57%                                       | 93,000               | 93,000               |
| 1101 17 <sup>th</sup> , 1140 Connecticut, 1730<br>M and 1150 17 <sup>th</sup> Street | 08/10        | 6.74%                                       | 85,910               | 87,721               |
| 1550 and 1750 Crystal Drive                                                          | 11/14        | 7.08%                                       | 81,822               | 83,912               |
| Universal Buildings (2)                                                              | 04/14        | 6.33%                                       | 106,630              | 59,728               |
| 1235 Clark Street                                                                    | 07/12        | 6.75%                                       | 53,252               | 54,128               |
| 2231 Crystal Drive                                                                   | 08/13        | 7.08%                                       | 48,533               | 50,394               |
| 1750 Pennsylvania Avenue                                                             | 06/12        | 7.26%                                       | 45,877               | 46,570               |
| 241 18 <sup>th</sup> Street                                                          | 10/10        | 6.82%                                       | 45,609               | 46,532               |
| 2011 Crystal Drive (3)                                                               | 08/17        | 7.30%                                       | 82,178               | 38,338               |
| 1225 Clark Street                                                                    | 08/13        | 7.08%                                       | 28,925               | 30,145               |
| 1800, 1851 and 1901 South Bell<br>Street                                             | 12/11        | 6.91%                                       | 19,338               | 27,801               |
| Retail:                                                                              |              |                                             |                      |                      |
| Cross-collateralized mortgages on<br>42 shopping centers (4)                         |              |                                             |                      | 448,115              |

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|                                                                          |             |             |           |           |
|--------------------------------------------------------------------------|-------------|-------------|-----------|-----------|
| Springfield Mall (including present value of purchase option) <b>(5)</b> | 10/12-04/13 | 5.45%       | 242,583   | 252,803   |
| Montehiedra Town Center                                                  | 07/16       | 6.04%       | 120,000   | 120,000   |
| Broadway Mall                                                            | 07/13       | 5.30%       | 92,601    | 94,879    |
| 828-850 Madison Avenue Condominium                                       | 06/18       | 5.29%       | 80,000    | 80,000    |
| Las Catalinas Mall                                                       | 11/13       | 6.97%       | 59,304    | 60,766    |
| Other                                                                    | 12/10-05/36 | 4.75%-7.33% | 156,709   | 159,597   |
| Merchandise Mart:                                                        |             |             |           |           |
| Merchandise Mart                                                         | 12/16       | 5.57%       | 550,000   | 550,000   |
| High Point Complex                                                       | 09/16       | 6.35%       | 217,815   | 220,361   |
| Boston Design Center                                                     | 09/15       | 5.02%       | 69,667    | 70,740    |
| Washington Design Center                                                 | 11/11       | 6.95%       | 44,247    | 44,992    |
| Other:                                                                   |             |             |           |           |
| 555 California Street <b>(6)</b>                                         | 05/10-09/11 | 5.94%       | 664,117   | 720,671   |
| Industrial Warehouses                                                    | 10/11       | 6.95%       | 24,813    | 25,268    |
| Total fixed interest notes and mortgages payable                         |             | 5.86%       | 6,640,012 | 7,117,727 |

See notes on page 139.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7. Debt - continued

| (Amounts in thousands)                                 |                               | Balance at              |                                             |                      |                      |
|--------------------------------------------------------|-------------------------------|-------------------------|---------------------------------------------|----------------------|----------------------|
| Notes and mortgages payable:                           | Maturity<br>(1)               | Spread<br>over<br>LIBOR | Interest Rate<br>at<br>December 31,<br>2009 | December 31,<br>2009 | December 31,<br>2008 |
| <b>Variable rate:</b>                                  |                               |                         |                                             |                      |                      |
| New York Office:                                       |                               |                         |                                             |                      |                      |
| Manhattan Mall                                         | 02/12                         | L+55                    | 0.78%                                       | \$ 232,000           | \$ 232,000           |
| 866 UN Plaza                                           | 05/11                         | L+40                    | 0.71%                                       | 44,978               | 44,978               |
| Washington, DC Office:                                 |                               |                         |                                             |                      |                      |
| 2101 L Street                                          | 02/13                         | L+120                   | 1.49%                                       | 150,000              | 150,000              |
| Courthouse Plaza One and Two                           | 01/15                         | L+75                    | 0.98%                                       | 65,133               | 70,774               |
| 220 20 <sup>th</sup> Street (construction loan)        | 01/11                         | L+115                   | 1.40%                                       | 75,629               | 40,701               |
| West End 25 (construction loan)                        | 02/11                         | L+130                   | 1.58%                                       | 85,735               | 24,620               |
| River House Apartments                                 | 04/18                         | (7)                     | 1.59%                                       | 64,000               | 64,000               |
| Commerce Executive III, IV and V<br>(8)                |                               |                         |                                             |                      | 50,223               |
| Retail:                                                |                               |                         |                                             |                      |                      |
| Green Acres Mall                                       | 02/13                         | L+140                   | 1.68%                                       | 335,000              | 335,000              |
| Bergen Town Center (construction<br>loan)              | 03/13                         | L+150                   | 1.74%                                       | 261,903              | 228,731              |
| Beverly Connection (9)                                 | 07/12                         | L+350                   | 5.00%                                       | 100,000              | 100,000              |
| 4 Union Square South (10)                              | 04/14                         | L+325                   | 3.52%                                       | 75,000               |                      |
| 435 Seventh Avenue (11)                                | 08/14                         | L+300                   | 5.00%                                       | 52,000               |                      |
| Other (12)                                             | 11/11                         | L+375                   | 3.99%                                       | 22,758               |                      |
| Other:                                                 |                               |                         |                                             |                      |                      |
|                                                        |                               | L+235                   |                                             |                      |                      |
| 220 Central Park South                                 | 11/10<br>3/10 <sup>(13)</sup> | L+245                   | 2.62%                                       | 123,750              | 130,000              |
| Other (13)                                             | 11/11                         | Various                 | 2.07%                                       | 117,868              | 172,886              |
| Total Variable Interest Notes and<br>Mortgages Payable |                               |                         | 1.96%                                       | 1,805,754            | 1,643,913            |
| Total Notes and Mortgages<br>Payable                   |                               |                         | 5.03%                                       | \$ 8,445,766         | \$ 8,761,640         |
| <b>Convertible senior debentures:</b>                  |                               |                         |                                             |                      |                      |
| (see page 140)                                         |                               |                         |                                             |                      |                      |
| 2.85% due 2027 (14)                                    | 04/12                         |                         | 5.45%                                       | \$ 21,251            | \$ 1,276,285         |
| 3.63% due 2026 (14)                                    | 11/11                         |                         | 5.32%                                       | 424,207              | 945,458              |
| Total convertible senior debentures                    |                               |                         | 5.33%                                       | \$ 445,458           | \$ 2,221,743         |

**Senior unsecured notes:**

|                                         |       |  |       |            |            |
|-----------------------------------------|-------|--|-------|------------|------------|
| Senior unsecured notes due 2039<br>(15) | 10/39 |  | 7.88% | \$ 446,134 | \$         |
| Senior unsecured notes due 2010<br>(14) | 12/10 |  | 4.75% | 148,240    | 199,625    |
| Senior unsecured notes due 2011<br>(14) | 02/11 |  | 5.60% | 117,342    | 249,902    |
| Senior unsecured notes due 2009<br>(14) | 08/09 |  |       |            | 168,289    |
| Total senior unsecured notes            |       |  | 6.85% | \$ 711,716 | \$ 617,816 |

**3.88% exchangeable senior debentures due 2025**

|                |       |  |       |            |            |
|----------------|-------|--|-------|------------|------------|
| (see page 140) | 04/12 |  | 5.32% | \$ 484,457 | \$ 478,256 |
|----------------|-------|--|-------|------------|------------|

**Unsecured revolving credit facilities:**

|                                                                                                             |       |            |       |            |            |
|-------------------------------------------------------------------------------------------------------------|-------|------------|-------|------------|------------|
| \$1.595 billion unsecured revolving credit facility                                                         | 09/12 | L+55/Prime | 1.05% | \$ 425,000 | \$ 300,000 |
| \$.965 billion unsecured revolving credit facility<br>(\$37,232 reserved for outstanding letters of credit) | 06/11 | L+55/Prime | 1.05% | 427,218    | 58,468     |
| Total unsecured revolving credit facilities                                                                 |       |            | 1.05% | \$ 852,218 | \$ 358,468 |

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See notes on the following page.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**7. Debt - continued**

Notes to preceding tabular information (Amounts in thousands):

(1) Represents the extended maturity for certain loans in which we have the unilateral right, ability and intent to extend. In the case of our convertible and exchangeable debt, represents the earliest date holders may require us to repurchase the debentures.

(2) In September 14, 2009, we completed a \$50,000 additional financing of the Universal Buildings. The additional financing has a fixed interest rate of 8.0% and matures on the same date as the existing loans in April 2014.

(3) On July 30, 2009, we completed an \$82,500 refinancing of 2011 Crystal Drive. This loan has a fixed interest rate of 7.30% and matures in August 2017, with two one-year extension options. We retained net proceeds of approximately \$44,500 after repaying the existing loan and closing costs.

(4) In the first quarter of 2009, we purchased \$47,000 of the cross collateralized debt secured by our portfolio of 42 strip shopping centers for \$46,231 in cash, resulting in a net gain of \$769. On December 11, 2009, we repaid the remaining \$393,440 outstanding balance of this debt, which was scheduled to mature in March 2010.

(5) We continue to evaluate plans to renovate and reposition the Springfield mall; given current economic conditions, that may require us to renegotiate the terms of the existing debt and, accordingly, we have requested that the debt be placed with the special servicer.

(6) In June 2009, we purchased \$58,399 (aggregate carrying amount) of debt secured by 555 California Street Complex for \$55,814 in cash, resulting in a net gain of \$2,585.

(7) This loan bears interest at the Freddie Mac Reference Note Rate plus 1.53%.

(8) On June 1, 2009, we repaid the \$50,223 outstanding balance of the Commerce Executive loan which was scheduled to mature in July 2009.

(9) On July 7, 2009, we refinanced the loan on Beverly Connection which was scheduled to mature on July 9, 2009. The new loan has a two-year term and an interest rate of LIBOR plus 3.50%, with a LIBOR floor of 1.50% (5.00% at December 31, 2009), and provides for a one-year extension through July 2012, at LIBOR plus 5.00%.

(10) On April 7, 2009, we completed a \$75,000 financing of 4 Union Square South. This interest-only loan has a rate of LIBOR plus 3.25%, (3.52% at December 31, 2009) and matures in April 2012, with two one-year extension options. The property was previously unencumbered.

(11) On August 11, 2009, we completed a \$52,000 financing of 435 Seventh Avenue. This loan has an interest rate of LIBOR plus 3.00% with a LIBOR floor of 2.00% (5.00% at December 31, 2009) and matures in August 2012, with two one-year extension options. The property was previously unencumbered.

(12) On August 20, 2009, the fixed interest rate swap on this loan expired and the loan was reclassified from fixed rate to variable rate debt. In addition, on October 15, 2009, we refinanced the principal amount of this loan at LIBOR plus 3.75% (3.99% at December 31, 2009). The loan has an initial maturity of November 2011, with a one-year extension option.

(13) We are currently in negotiations with lenders to extend or refinance two loans with outstanding balances of \$36,000, which matured on October 29, 2009, and \$59,468, which matures on March 8, 2010.

(14) During 2009, through the open market and tender offers, we purchased \$1,912,724 (aggregate face amount) of our convertible senior debentures and \$254,855 (aggregate face amount) of our senior unsecured notes for \$1,877,510 and \$245,809 in cash, respectively, and repaid the \$97,900 balance of our 4.50% senior unsecured notes upon maturity in August 2009. During 2008, we purchased \$27,500 (aggregate face amount) of our convertible senior debentures and \$81,540 (aggregate face amount) of our senior unsecured notes for \$18,080 and \$80,408 in cash, respectively. In connection with these purchases, we recognized an aggregate net loss of \$29,269 in 2009 and an aggregate net gain of \$9,820 in 2008 which is reflected as a component of net (loss) gain on early extinguishment of debt on our consolidated statements of income.

(15) On September 30, 2009, we completed a public offering of \$460,000 principal amount of 7.875% callable senior unsecured 30-year notes due October 1, 2039. Interest on the notes is payable quarterly in arrears on each January 1, April 1, July 1 and October 1, commencing January 1, 2010. The notes were sold to the public at par and may be redeemed at our option in whole or in part beginning October 1, 2014, at a price equal to the principal amount plus accrued and unpaid interest. These notes contain financial covenants, including limitations on outstanding debt

and minimum interest and fixed charge coverage ratios. We retained net proceeds of approximately \$446,000 from the offering which were used for general corporate purposes.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7. Debt continued

On January 1, 2009, we adopted the provisions of ASC 470-20, *Debt with Conversion and Other Options*, which was required to be applied retrospectively. Below is a summary of the financial statement effects of implementing the provisions of ASC 470-20 and related disclosures.

| (Amounts in thousands,<br>except per share<br>amounts)                                              | <b>\$1.4 Billion Convertible<br/>Senior Debentures</b> |             | <b>\$1 Billion Convertible<br/>Senior Debentures</b> |             | <b>\$500 Million<br/>Exchangeable<br/>Senior Debentures</b> |             |
|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------|-------------|------------------------------------------------------|-------------|-------------------------------------------------------------|-------------|
|                                                                                                     | <b>December 31,</b>                                    |             | <b>December 31,</b>                                  |             | <b>December 31,</b>                                         |             |
| <b>Balance Sheet:</b>                                                                               | <b>2009</b>                                            | <b>2008</b> | <b>2009</b>                                          | <b>2008</b> | <b>2009</b>                                                 | <b>2008</b> |
| Principal amount of debt component                                                                  | \$22,479                                               | \$1,382,700 | \$437,297                                            | \$989,800   | \$499,982                                                   | \$499,982   |
| Unamortized discount                                                                                | (1,228 )                                               | (106,415 )  | (13,090 )                                            | (44,342 )   | (15,525 )                                                   | (21,726 )   |
| Carrying amount of debt component                                                                   | \$21,251                                               | \$1,276,285 | \$424,207                                            | \$945,458   | \$484,457                                                   | \$478,256   |
| Carrying amount of equity component                                                                 | \$2,104                                                | \$129,099   | \$23,457                                             | \$53,893    | \$32,301                                                    | \$32,301    |
| Effective interest rate                                                                             | 5.45 %                                                 | 5.45 %      | 5.32 %                                               | 5.32 %      | 5.32 %                                                      | 5.32 %      |
| Maturity date (period through which discount is being amortized)                                    | 4/1/12                                                 |             | 11/15/11                                             |             | 4/15/12                                                     |             |
| Conversion price per share, as adjusted                                                             | \$ 157.18                                              |             | \$ 148.46                                            |             | \$87.17                                                     |             |
| Number of shares on which the aggregate consideration to be delivered upon conversion is determined |                                                        | (1)         |                                                      | (1)         |                                                             | 5,736       |

(1) Pursuant to the provisions of ASC 470-20, we are required to disclose the conversion price and the number of shares on which the aggregate consideration to be delivered upon conversion is determined (principal plus excess value). Our convertible senior debentures require that upon conversion, the entire principal amount is to be settled in cash, and at our option, any excess value above the principal amount may be settled in cash or common shares. Based on the December 31, 2009 closing share price of our common shares and the conversion prices in the table above, there was no excess value; accordingly, no common shares would be issued if these securities were settled on this date. The number of common shares on which the aggregate consideration to be delivered upon conversion is 143 and

2,946 common shares, respectively.

(Amounts in thousands)

**Income Statement:**

**\$1.4 Billion Convertible Senior Debentures:**

|                                                 | <b>For the Year Ended December 31,</b> |             |             |
|-------------------------------------------------|----------------------------------------|-------------|-------------|
|                                                 | <b>2009</b>                            | <b>2008</b> | <b>2007</b> |
| Coupon interest                                 | \$33,743                               | \$39,853    | \$30,368    |
| Discount amortization original issue            | 4,596                                  | 5,190       | 3,770       |
| Discount amortization ASC 470-20 implementation | 21,514                                 | 24,296      | 17,649      |
|                                                 | \$59,853                               | \$69,339    | \$51,787    |

**\$1 Billion Convertible Senior Debentures:**

|                                                 |          |           |           |
|-------------------------------------------------|----------|-----------|-----------|
| Coupon interest                                 | \$32,654 | \$36,216  | \$36,049  |
| Discount amortization original issue            | 3,606    | 3,820     | 3,626     |
| Discount amortization ASC 470-20 implementation | 9,651    | 10,224    | 9,703     |
|                                                 | \$45,911 | \$ 50,260 | \$ 49,378 |

**\$500 Million Exchangeable Senior Debentures:**

|                                                 |          |          |          |
|-------------------------------------------------|----------|----------|----------|
| Coupon interest                                 | \$19,428 | \$19,374 | \$19,379 |
| Discount amortization original issue            | 1,464    | 1,389    | 1,318    |
| Discount amortization ASC 470-20 implementation | 4,741    | 4,497    | 4,265    |
|                                                 | \$25,633 | \$25,260 | \$24,962 |

**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****7. Debt continued**

The net carrying amount of properties collateralizing the notes and mortgages payable amounted to \$11.2 billion at December 31, 2009. As of December 31, 2009, the principal repayments required for the next five years and thereafter are as follows:

(Amounts in thousands)

| <b>Year Ending December 31,</b> | <b>Mortgages Payable</b> | <b>Senior Unsecured<br/>Debt and Revolving<br/>Credit Facilities</b> |
|---------------------------------|--------------------------|----------------------------------------------------------------------|
| 2010                            | \$ 448,610               | \$ 148,335                                                           |
| 2011                            | 1,614,648                | 979,682                                                              |
| 2012                            | 873,259                  | 949,679                                                              |
| 2013                            | 1,485,724                |                                                                      |
| 2014                            | 314,957                  |                                                                      |
| Thereafter                      | 3,606,665                | 460,000                                                              |

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**8. Redeemable Noncontrolling Interests**

Redeemable noncontrolling interests on our consolidated balance sheets represent Operating Partnership units held by third-parties and are comprised of (i) Class A units, (ii) Series B convertible preferred units, and (iii) Series D-10, D-11, D-12, D-14 and D-15 (collectively, Series D ) cumulative redeemable preferred units. Class A units of the Operating Partnership may be tendered for redemption to the Operating Partnership for cash; we, at our option, may assume that obligation and pay the holder either cash or Vornado common shares on a one-for-one basis. Because the number of Vornado common shares outstanding at all times equals the number of Class A units owned by Vornado, the redemption value of each Class A unit is equivalent to the market value of one Vornado common share, and the quarterly distribution to a Class A unitholder is equal to the quarterly dividend paid to a Vornado common shareholder. Below are the details of Operating Partnership units held by third-parties that are included in redeemable noncontrolling interests as of December 31, 2009 and 2008:

| <b>Unit Series</b>                   | <b>Outstanding Units at<br/>December<br/>31,<br/>2009</b> | <b>Outstanding Units at<br/>December<br/>31,<br/>2008</b> | <b>Per Unit<br/>Liquidation<br/>Preference</b> | <b>Preferred or<br/>Annual<br/>Distribution<br/>Rate</b> | <b>Conversion<br/>Rate Into<br/>Class<br/>A Units</b> |
|--------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------|
| Common:                              |                                                           |                                                           |                                                |                                                          |                                                       |
| Class A                              | 13,892,313                                                | 14,627,005                                                | N/A                                            | \$ 3.65                                                  | N/A                                                   |
| Convertible Preferred:               |                                                           |                                                           |                                                |                                                          |                                                       |
| B-1 Convertible Preferred (1)        |                                                           | 139,798                                                   | \$ 50.00                                       | \$ 2.50                                                  | (1)                                                   |
| B-2 Convertible Preferred (1)        |                                                           | 304,761                                                   | \$ 50.00                                       | \$ 4.00                                                  | (1)                                                   |
| Perpetual Preferred: (2)             |                                                           |                                                           |                                                |                                                          |                                                       |
| 7.00% D-10 Cumulative<br>Redeemable  | 3,200,000                                                 | 3,200,000                                                 | \$ 25.00                                       | \$ 1.75                                                  | N/A                                                   |
| 7.20% D-11 Cumulative<br>Redeemable  | 1,400,000                                                 | 1,400,000                                                 | \$ 25.00                                       | \$ 1.80                                                  | N/A                                                   |
| 6.55% D-12 Cumulative<br>Redeemable  | 800,000                                                   | 800,000                                                   | \$ 25.00                                       | \$ 1.637                                                 | N/A                                                   |
| 6.75% D-14 Cumulative<br>Redeemable  | 4,000,000                                                 | 4,000,000                                                 | \$ 25.00                                       | \$ 1.6875                                                | N/A                                                   |
| 6.875% D-15 Cumulative<br>Redeemable | 1,800,000                                                 | 1,800,000                                                 | \$ 25.00                                       | \$ 1.71875                                               | N/A                                                   |

(1) On October 20, 2009, we redeemed all of the outstanding Series B convertible units in exchange for 139,798 Class A units, with an aggregate market value of approximately \$8,600,000 at redemption.

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

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**8. Redeemable Noncontrolling Interests - continued**

Redeemable noncontrolling interests on our consolidated balance sheets are recorded at the greater of their carrying amount or redemption value at the end of each reporting period. Changes in the value from period to period are charged to additional capital in our consolidated statements of changes in equity. Below is a table summarizing the activity of redeemable noncontrolling interests.

(Amounts in thousands)

|                                                                                       |             |
|---------------------------------------------------------------------------------------|-------------|
| Balance at December 31, 2007                                                          | \$1,658,303 |
| Net income                                                                            | 55,411      |
| Distributions                                                                         | (75,939 )   |
| Conversion of Class A redeemable units into common shares, at redemption value        | (82,330 )   |
| Mark-to-market adjustments on Class A redeemable units, in accordance with Topic D-98 | (400,647 )  |
| Other, net                                                                            | 23,180      |
| Balance at December 31, 2008                                                          | 1,177,978   |
| Net income                                                                            | 25,120      |
| Distributions                                                                         | (42,451)    |
| Conversion of Class A redeemable units into common shares, at redemption value        | (90,955 )   |
| Mark-to-market adjustments on Class A redeemable units, in accordance with Topic D-98 | 167,049     |
| Other, net                                                                            | 14,887      |
| Balance at December 31, 2009                                                          | \$1,251,628 |

As of December 31, 2009 and December 31, 2008, the aggregate value of our Class A operating partnership units was \$971,628,000 and \$882,740,000, respectively.

Redeemable noncontrolling interests exclude our Series G convertible preferred units and Series D-13 cumulative redeemable preferred units, as they are accounted for as liabilities in accordance with ASC 480, *Distinguishing Liabilities and Equity*, because of their possible settlement by issuing a variable number of Vornado common shares. Accordingly the fair value of these units is included as a component of other liabilities on our consolidated balance sheets and aggregated \$60,271,000 and \$83,079,000 as of December 31, 2009 and December 31, 2008, respectively.

**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****9. Shareholders Equity***Common Shares*

In April 2009, we sold 17,250,000 common shares, including underwriters' over-allotment, in an underwritten public offering pursuant to an effective registration statement at an initial public offering price of \$43.00 per share. We received net proceeds of \$710,226,000, after underwriters' discount and offering expenses and contributed the net proceeds to the Operating Partnership in exchange for 17,250,000 Class A units of the Operating Partnership.

*Preferred Shares*

The following table sets forth the details of our preferred shares of beneficial interest outstanding as of December 31, 2009 and 2008.

|                                                                                                                                       | <b>December 31,</b> |             |
|---------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|
| (Amounts in thousands, except share and per share amounts)                                                                            | <b>2009</b>         | <b>2008</b> |
| 6.5% Series A: liquidation preference \$50.00 per share; authorized 5,750,000 shares; issued and outstanding 52,324 and 54,124 shares | \$ 2,673            | \$ 2,762    |
| 7.0% Series D-10: liquidation preference \$25.00 per share; authorized 4,800,000 shares; issued and outstanding 1,600,000 shares      | 39,982              | 39,982      |
| 7.0% Series E: liquidation preference \$25.00 per share; authorized 3,450,000 shares; issued and outstanding 3,000,000 shares         | 72,248              | 72,248      |
| 6.75% Series F: liquidation preference \$25.00 per share; authorized 6,000,000 shares; issued and outstanding 6,000,000 shares        | 144,720             | 144,720     |
| 6.625% Series G: liquidation preference \$25.00 per share; authorized 9,200,000 shares; issued and outstanding 8,000,000 shares       | 193,135             | 193,135     |
| 6.75% Series H: liquidation preference \$25.00 per share; authorized 4,600,000 shares; issued and                                     | 108,549             | 108,559     |

outstanding 4,500,000 shares

6.625% Series I: liquidation preference \$25.00 per share; authorized 12,050,000

shares; issued and

outstanding 10,800,000 shares

|    |         |            |
|----|---------|------------|
|    | 262,379 | 262,401    |
| \$ | 823,686 | \$ 823,807 |

#### *Series A Convertible Preferred Shares of Beneficial Interest*

Holders of Series A Preferred Shares of beneficial interest are entitled to receive dividends in an amount equivalent to \$3.25 per annum per share. These dividends are cumulative and payable quarterly in arrears. The Series A Preferred Shares are convertible at any time at the option of their respective holders at a conversion rate of 1.4334 common shares per Series A Preferred Share, subject to adjustment in certain circumstances. In addition, upon the satisfaction of certain conditions we, at our option, may redeem the \$3.25 Series A Preferred Shares at a current conversion rate of 1.4334 common shares per Series A Preferred Share, subject to adjustment in certain circumstances. At no time will the Series A Preferred Shares be redeemable for cash.

#### *Series D-10 Cumulative Redeemable Preferred Shares of Beneficial Interest*

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

#### *Series E Cumulative Redeemable Preferred Shares of Beneficial Interest*

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



**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**9. Shareholders Equity - continued**

*Series F Cumulative Redeemable Preferred Shares of Beneficial Interest*

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

*Series G Cumulative Redeemable Preferred Shares of Beneficial Interest*

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

*Series H Cumulative Redeemable Preferred Shares of Beneficial Interest*

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

*Series I Cumulative Redeemable Preferred Shares of Beneficial Interest*

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

*Accumulated Other Comprehensive Income*

Accumulated other comprehensive income (loss) was \$28,449,000 and (\$6,899,000) as of December 31, 2009 and 2008, respectively, and primarily consists of accumulated unrealized (loss) income from the mark-to-market of marketable equity securities classified as available-for-sale.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**10. Fair Value Measurements**

ASC 820, *Fair Value Measurement and Disclosures* defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 – unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in our assessment of fair value. Considerable judgment is necessary to interpret Level 2 and 3 inputs in determining fair value of our financial and non-financial assets and liabilities. Accordingly, there can be no assurance that the fair values we present herein are indicative of amounts that may ultimately be realized upon sale or other disposition of these assets.

*Fair Value Measurements on a Recurring Basis*

Financial assets and liabilities that are measured at fair value on a recurring basis in our consolidated financial statements consist primarily of (i) marketable equity securities, (ii) the assets of our deferred compensation plan, which are primarily marketable equity securities and equity investments in limited partnerships, (iii) short-term investments (CDARS classified as available-for-sale) and (iv) mandatorily redeemable instruments (Series G convertible preferred units and Series D-13 cumulative redeemable preferred units). The tables below aggregate the fair values of financial assets and liabilities by the levels in the fair value hierarchy at December 31, 2009 and 2008, respectively.

| (Amounts in thousands)                                                | <b>Total</b> | <b>As of December 31, 2009</b> |                |                |
|-----------------------------------------------------------------------|--------------|--------------------------------|----------------|----------------|
|                                                                       |              | <b>Level 1</b>                 | <b>Level 2</b> | <b>Level 3</b> |
| Marketable equity securities                                          | \$79,925     | \$79,925                       | \$             | \$             |
| Deferred compensation plan assets<br>(included in other assets)       | 80,443       | 40,854                         |                | 39,589         |
| Short-term investments                                                | 40,000       | 40,000                         |                |                |
| Total assets                                                          | \$200,368    | \$160,779                      | \$             | \$ 39,589      |
| Mandatorily redeemable instruments<br>(included in other liabilities) | \$60,271     | \$60,271                       | \$             | \$             |

| (Amounts in thousands)                                                | <b>Total</b> | <b>As of December 31, 2008</b> |                |                |
|-----------------------------------------------------------------------|--------------|--------------------------------|----------------|----------------|
|                                                                       |              | <b>Level 1</b>                 | <b>Level 2</b> | <b>Level 3</b> |
| Marketable equity securities                                          | \$118,438    | \$118,438                      | \$             | \$             |
| Deferred compensation plan assets                                     | 69,945       | 35,769                         |                | 34,176         |
| Total assets                                                          | \$188,383    | \$154,207                      | \$             | \$ 34,176      |
| Mandatorily redeemable instruments<br>(included in other liabilities) | \$83,079     | \$83,079                       | \$             | \$             |

The fair value of Level 3 deferred compensation plan assets represents equity investments in certain limited partnerships. The following is a summary of changes in these assets for the years ended December 31, 2009 and 2008.

| (Amounts in thousands)               | <b>Beginning<br/>Balance</b> | <b>Total<br/>Realized/<br/>Unrealized<br/>Gains</b> | <b>Purchases,<br/>Sales, Other<br/>Settlements and<br/>Issuances, net</b> | <b>Ending<br/>Balance</b> |
|--------------------------------------|------------------------------|-----------------------------------------------------|---------------------------------------------------------------------------|---------------------------|
| For the year ended December 31, 2009 | \$34,176                     | \$4,187                                             | \$ 1,226                                                                  | \$ 39,589                 |
| For the year ended December 31, 2008 | \$50,578                     | \$(15,407 )                                         | \$ (995 )                                                                 | \$ 34,176                 |

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 10. Fair Value Measurements - continued

*Fair Value Measurements on a Nonrecurring Basis*

Non-financial assets measured at fair value on a nonrecurring basis in our consolidated financial statements consist of real estate assets and investments in partially owned entities that have been written-down to estimated fair value during 2009. See Note 2 *Basis of Presentation and Significant Accounting Policies* for details of impairment losses recognized during 2009. The fair values of these assets are determined using widely accepted valuation techniques, including (i) discounted cash flow analysis, which considers, among other things, leasing assumptions, growth rates, discount rates and terminal capitalization rates, (ii) income capitalization approach, which considers prevailing market capitalization rates and (iii) comparable sales activity. In general, we consider multiple valuation techniques when measuring fair values. However, in certain circumstances, a single valuation technique may be appropriate. The table below aggregates the fair values of these assets by the levels in the fair value hierarchy.

| (Amounts in thousands)                  | Total     | As of December 31, 2009 |         | Level 3    |
|-----------------------------------------|-----------|-------------------------|---------|------------|
|                                         |           | Level 1                 | Level 2 |            |
| Real estate assets                      | \$169,861 | \$                      | \$      | \$ 169,861 |
| Investments in partially owned entities | 36,052    |                         |         | 36,052     |

*Financial Assets and Liabilities not Measured at Fair Value*

Financial assets and liabilities that are not measured at fair value in our consolidated financial statements include mezzanine loans receivable and debt. Estimates of the fair values of these instruments are based on our assessments of available market information and valuation methodologies, including discounted cash flow analyses. The table below summarizes the carrying amounts and fair values of these financial instruments as of December 31, 2009 and December 31, 2008.

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| (Amounts in thousands)            | As of December 31, 2009 |               | As of December 31, 2008 |               |
|-----------------------------------|-------------------------|---------------|-------------------------|---------------|
|                                   | Carrying<br>Amount      | Fair<br>Value | Carrying<br>Amount      | Fair<br>Value |
| Mezzanine loans receivable        | \$ 203,286              | \$ 192,612    | \$ 472,539              | \$ 417,087    |
| Debt:                             |                         |               |                         |               |
| Notes and mortgages payable       | \$ 8,445,766            | \$ 7,858,873  | \$ 8,761,640            | \$ 8,161,922  |
| Convertible senior debentures     | 445,458                 | 461,275       | 2,221,743               | 1,874,058     |
| Senior unsecured notes            | 711,716                 | 718,302       | 617,816                 | 578,238       |
| Exchangeable senior<br>debentures | 484,457                 | 547,480       | 478,256                 | 428,895       |
| Revolving credit facility debt    | 852,218                 | 852,218       | 358,468                 | 358,468       |
|                                   | \$ 10,939,615           | \$ 10,438,148 | \$ 12,437,923           | \$ 11,401,581 |

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

## **11. Discontinued Operations**

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, we have reclassified the revenues and expenses of properties and businesses sold or held for sale to income from discontinued operations and the related assets and liabilities to assets related to discontinued operations and liabilities related to discontinued operations for all periods presented in the accompanying consolidated financial statements. The net gains resulting from the sale of the properties below are included in income from discontinued operations on our consolidated statements of income.

On September 1, 2009, we sold 1999 K Street, a newly developed 250,000 square foot office building, in Washington's Central Business District, for \$207,800,000 in cash which resulted in a net gain of approximately \$41,211,000.

During 2009, we sold 15 retail properties in separate transactions for an aggregate of \$55,000,000 in cash which resulted in net gains aggregating \$4,073,000.

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

On June 10, 2008, we sold our Tysons Dulles Plaza office building complex for \$152,800,000 in cash which resulted in a net gain of \$56,831,000.

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

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

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

During the fourth quarter of 2009, we reclassified an 8.6 acre parcel of land out of assets related to discontinued operations since it no longer met such criteria, as the buyer terminated the sales contract. The tables below set forth the assets and liabilities related to discontinued operations at December 31, 2009 and 2008, and their combined results of operations for the years ended December 31, 2009, 2008 and 2007.

| (Amounts in thousands) | <b>Assets Related to<br/>Discontinued Operations as of<br/>December 31,</b> |             | <b>Liabilities Related to<br/>Discontinued Operations as of<br/>December 31,</b> |             |
|------------------------|-----------------------------------------------------------------------------|-------------|----------------------------------------------------------------------------------|-------------|
|                        | <b>2009</b>                                                                 | <b>2008</b> | <b>2009</b>                                                                      | <b>2008</b> |
| 1999 K Street          | \$                                                                          | \$ 124,402  | \$                                                                               | \$ 73,747   |
| Retail properties      |                                                                             | 48,416      |                                                                                  |             |
| Total                  | \$                                                                          | \$ 172,818  | \$                                                                               | \$ 73,747   |

| (Amounts in thousands)              | <b>For the Year Ended December 31,</b> |             |             |
|-------------------------------------|----------------------------------------|-------------|-------------|
|                                     | <b>2009</b>                            | <b>2008</b> | <b>2007</b> |
| Total revenues                      | \$ 9,846                               | \$ 226,726  | \$ 870,857  |
| Total expenses                      | 3,225                                  | 223,326     | 868,216     |
| Net income (loss)                   | 6,621                                  | 3,400       | 2,641       |
| Net gains on sale of real estate    | 45,284                                 | 170,213     | 64,981      |
| Income from discontinued operations | \$ 51,905                              | \$ 173,613  | \$ 67,622   |

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**12. Stock-based Compensation**

Our Share Option Plan (the Plan ) provides for grants of incentive and non-qualified stock options, restricted stock, restricted Operating Partnership units and out-performance plan awards. We have approximately 4,854,000 shares available for future grant under the Plan at December 31, 2009.

During the first quarter of 2009, our nine most senior executives voluntarily surrendered their 2008 out-performance plan awards and their 2007 and 2008 stock option awards. Accordingly, we recognized \$32,588,000 of expense, representing the unamortized portion of these awards, which is included in general and administrative expenses on our consolidated statement of income. As a result of these surrenders, stock-based compensation expense will be approximately \$9,400,000, \$9,400,000, \$5,700,000 and \$1,000,000 lower in 2010, 2011, 2012 and 2013, respectively.

***Out-Performance Plans***

On March 31, 2008, the Compensation Committee of our Board of Trustees approved a \$75,000,000 out-performance plan (the 2008 OPP ). Under the 2008 OPP, the total return to our shareholders (the Total Return ) resulting from both share appreciation and dividends for the four-year period from March 31, 2008 to March 31, 2012 must exceed both an absolute and a relative hurdle. The initial value from which to determine the Total Return is \$86.20 per share, a 0.93% premium to the trailing 10-day average closing price on the New York Stock Exchange for our common shares on the date the plan was adopted. During the four-year performance period, participants are entitled to receive 10% of the common dividends paid on Vornado's common shares for each 2008 OPP unit awarded, regardless of whether the units are ultimately earned. The fair value of the 2008 OPP awards on the date of grant, as adjusted for estimated forfeitures, was approximately \$21,600,000, and is being amortized into expense over a five-year period beginning on the date of grant through the final vesting period, using a graded vesting attribution model, with the exception of an aggregate of \$13,722,000 which was accelerated into expense in the first quarter of 2009 as a result of the voluntary surrender of such awards discussed above.

On April 25, 2006, our Compensation Committee approved a \$100,000,000 Out-performance plan (the 2006 OPP ), under which 91% of the total Out-Performance Plan was awarded. The fair value of the awards on the date of grant, as adjusted for estimated forfeitures, was approximately \$46,141,000 and is being amortized into expense over the five-year vesting period beginning on the date of grant, using a graded vesting attribution model. As of January 12, 2007, the maximum performance threshold under the Out-Performance Plan was achieved, concluding the performance period.

During the years ended December 31, 2009, 2008 and 2007, we recognized \$23,493,000, \$16,021,000 and \$12,734,000 of compensation expense, respectively, for these plans. As of December 31, 2009, there was \$6,318,000 of total unrecognized compensation cost related these plans, which will be recognized over a weighted-average period of 1.37 years. Distributions paid on unvested OPP Units are charged to net income attributable to noncontrolling interests on our consolidated statements of income and amounted to \$1,935,000, \$2,918,000 and \$2,694,000 in 2009, 2008 and 2007, respectively.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 12. Stock-based Compensation - continued

*Stock Options*

Stock options are granted at an exercise price equal to 100% of the average of the high and low market price of our common shares on the NYSE on the date of grant, generally vest pro-rata over five years and expire 10 years from the date of grant. Compensation expense related to stock option awards is recognized on a straight-line basis over the vesting period with the exception of an aggregate of \$18,873,000 which was accelerated into expense in the first quarter of 2009 as a result of voluntary surrenders as previously discussed. During the years ended December 31, 2009, 2008, and 2007, we recognized \$25,911,000, \$9,051,000 and \$4,549,000, of compensation expense, respectively, for these options. As of December 31, 2009 there was \$8,838,000 of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 2.1 years.

Below is a summary of our stock option activity under the Plan for the year ended December 31, 2009.

|                                          | Shares       | Weighted-Average<br>Exercise<br>Price | Weighted-Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|------------------------------------------|--------------|---------------------------------------|------------------------------------------------------|---------------------------------|
| Outstanding at January 1, 2009           | 9,990,483    | \$ 66.64                              |                                                      |                                 |
| Granted                                  | 1,228,865    | 33.86                                 |                                                      |                                 |
| Exercised                                | (1,598,084 ) | 30.25                                 |                                                      |                                 |
| Cancelled                                | (3,441,458 ) | 105.47                                |                                                      |                                 |
| Outstanding at December 31, 2009         | 6,179,806    | \$ 47.90                              | 4.0                                                  | \$ 163,742,000                  |
| Options vested and expected to vest at   |              |                                       |                                                      |                                 |
| December 31, 2009                        | 6,151,278    | \$ 47.72                              | 4.0                                                  | \$ 163,742,000                  |
| Options exercisable at December 31, 2009 | 4,325,167    | \$ 45.84                              | 2.2                                                  | \$ 118,375,000                  |

The fair value of each option grant is estimated on the date of grant using an option pricing model with the following weighted average assumptions for grants in the years ended December 31, 2009, 2008 and 2007.

|                         | <b>December 31</b> |             |             |
|-------------------------|--------------------|-------------|-------------|
|                         | <b>2009</b>        | <b>2008</b> | <b>2007</b> |
| Expected volatility     | 28%                | 19%         | 17%         |
| Expected life           | 7 years            | 7.7 years   | 5 years     |
| Risk free interest rate | 2.3%               | 3.2%        | 4.5%        |
| Expected dividend yield | 4.6%               | 4.8%        | 5.0%        |

The weighted average grant date fair value of options granted during the years ended December 31, 2009, 2008 and 2007 was \$5.67, \$6.80 and \$12.55, respectively. Cash received from option exercises for the years ended December 31, 2009, 2008 and 2007 was \$1,749,000, \$27,587,000 and \$34,648,000, respectively. The total intrinsic value of options exercised during the years ended December 31, 2009, 2008 and 2007 was \$62,139,000, \$79,997,000 and \$99,656,000, respectively.

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**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****12. Stock-based Compensation - continued*****Restricted Stock***

Restricted stock awards are granted at the average of the high and low market price of our common shares on the NYSE on the date of grant and generally vest over five years. Restricted stock awards granted in 2009, 2008 and 2007 had a fair value of \$496,000, \$595,000 and \$2,837,000, respectively. Compensation expense related to restricted stock awards is recognized on a straight-line basis over the vesting period. During the years ended December 31, 2009, 2008 and 2007, we recognized \$2,063,000, \$3,201,000 and \$4,079,000 of compensation expense, respectively, for the portion of restricted stock awards that vested during each year. The fair value of restricted stock that vested during the years ended December 31, 2009, 2008 and 2007 was \$3,272,000, \$4,472,000 and \$8,907,000, respectively. As of December 31, 2009, there was \$2,136,000 of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted-average period of 1.74 years. Dividends paid on unvested restricted stock are charged directly to retained earnings and amounted to \$161,000, \$308,000 and \$533,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

Below is a summary of restricted stock activity under the Plan for the year ended December 31, 2009.

| <b>Non-vested Shares</b>        | <b>Shares</b> | <b>Weighted-Average<br/>Grant-Date<br/>Fair Value</b> |
|---------------------------------|---------------|-------------------------------------------------------|
| Non-vested at January 1, 2009   | 87,860        | \$ 81.31                                              |
| Granted                         | 14,680        | 33.82                                                 |
| Vested                          | (45,704)      | ) 72.14                                               |
| Forfeited                       | (1,218)       | ) 63.82                                               |
| Non-vested at December 31, 2009 | 55,618        | 76.69                                                 |

***Restricted Operating Partnership Units ( OP Units )***

OP Units are granted at the average of the high and low market price of our common shares on the NYSE on the date of grant, vest ratably over five years and are subject to a taxable book-up event, as defined. OP Units granted in 2009,

2008 and 2007 had a fair value of \$10,691,000, \$7,167,000, and \$10,696,000, respectively. Compensation expense related to OP Units is recognized ratably over a five-year period using a graded vesting attribution model. During the years ended December 31, 2009, 2008 and 2007, we recognized \$8,347,000, \$6,257,000, and \$5,493,000, of compensation expense, respectively, for the portion of OP Units that vested during last year. The fair value of OP Units that vested during the years ended December 31, 2009, 2008 and 2007 was \$4,020,000, \$1,952,000 and \$1,602,000, respectively. As of December 31, 2009, there was \$10,573,000 of total remaining unrecognized compensation cost related to unvested OP units, which is expected to be recognized over a weighted-average period of 1.75 years. Distributions paid on unvested OP Units are charged to net income attributable to noncontrolling interests on our consolidated statements of income and amounted to \$1,583,000, \$938,000, and \$444,000 in 2009, 2008 and 2007, respectively.

Below is a summary of restricted OP unit activity under the Plan for the year ended December 31, 2009.

| <b>Non-vested Units</b>         | <b>Units</b> | <b>Weighted-Average<br/>Grant-Date<br/>Fair Value</b> |
|---------------------------------|--------------|-------------------------------------------------------|
| Non-vested at January 1, 2009   | 233,079      | \$ 74.07                                              |
| Granted                         | 334,500      | 31.96                                                 |
| Vested                          | (56,551)     | ) 74.17                                               |
| Forfeited                       | (2,948)      | ) 36.67                                               |
| Non-vested at December 31, 2009 | 508,080      | 46.55                                                 |

**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****13. Fee and Other Income**

The following table sets forth the details of our fee and other income:

| (Amounts in thousands)      | <b>For The Years Ended December 31,</b> |             |             |
|-----------------------------|-----------------------------------------|-------------|-------------|
|                             | <b>2009</b>                             | <b>2008</b> | <b>2007</b> |
| Tenant cleaning fees        | \$ 58,512                               | \$ 56,416   | \$ 46,238   |
| Management and leasing fees | 11,456                                  | 13,397      | 15,713      |
| Lease termination fees      | 5,525                                   | 8,634       | 7,453       |
| Other income                | 82,818 (1)                              | 48,854      | 40,534      |
|                             | \$ 158,311                              | \$ 127,301  | \$ 109,938  |

(1) In December 2009, an agreement to sell an 8.6 acre parcel of land in the Pentagon City area of Arlington, Virginia, was terminated and we recognized \$27,089 of income, representing the buyer's non-refundable purchase deposit, which is included in other income.

Fee and other income above includes management fee income from Interstate Properties, a related party, of \$782,000, \$803,000 and \$800,000 for the years ended December 31, 2009, 2008 and 2007, respectively. The above table excludes fee income from partially owned entities, which is included in income from partially owned entities (see Note 3 Investments in Partially Owned Entities).

**14. Interest and Other Investment (Loss) Income, net**

The following table sets forth the details of our interest and other investment (loss) income:

| (Amounts in thousands)                                                         | <b>For the Years Ended December 31,</b> |             |              |
|--------------------------------------------------------------------------------|-----------------------------------------|-------------|--------------|
|                                                                                | <b>2009</b>                             | <b>2008</b> | <b>2007</b>  |
| Mezzanine loan loss (accrual) reversal (see note 5 Mezzanine Loans Receivable) | \$ (190,738 )                           | \$ 10,300   | \$ (57,000 ) |
| Interest on mezzanine loans (see note 5 Mezzanine Loans Receivable)            | 32,181                                  | 44,721      | 65,243       |
|                                                                                | 25,908                                  | 24,658      | 25,732       |

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|                                                                                         |               |             |            |
|-----------------------------------------------------------------------------------------|---------------|-------------|------------|
| Dividends and interest on marketable securities (see note 4<br>Marketable Securities)   |               |             |            |
| Interest on other investments                                                           | 5,850         | 28,156      | 56,406     |
| Mark-to-market of investments in our deferred compensation<br>plan (1)                  | 9,506         | (14,204 )   | 1,140      |
| Impairment losses on marketable equity securities (see note 4<br>Marketable Securities) | (3,361 )      | (76,742 )   |            |
| Derivative positions in marketable equity securities                                    |               | (33,602 )   | 113,547    |
| Other, net                                                                              | 4,324         | 14,031      | 21,357     |
|                                                                                         | \$ (116,330 ) | \$ (2,682 ) | \$ 226,425 |

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(1) This income (loss) is entirely offset by the expense (income) resulting from the mark-to-market of the deferred compensation plan liability.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 15. Income Per Share

The following table provides a reconciliation of both net income and the number of common shares used in the computation of (i) basic income per common share which utilizes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and (ii) diluted income per common share which includes the weighted average common shares and potentially dilutive share equivalents. Potentially dilutive share equivalents include our Series A convertible preferred shares, employee stock options, restricted share awards and exchangeable senior debentures due 2025.

(Amounts in thousands, except per share amounts)

|                                                                                                   | Year Ended December 31, |            |            |
|---------------------------------------------------------------------------------------------------|-------------------------|------------|------------|
|                                                                                                   | 2009                    | 2008       | 2007       |
| <b>Numerator:</b>                                                                                 |                         |            |            |
| Income from continuing operations, net of income attributable to noncontrolling interests         | \$ 57,679               | \$ 201,774 | \$ 479,974 |
| Income from discontinued operations, net of income attributable to noncontrolling interests       | 48,490                  | 157,523    | 61,565     |
| Net income attributable to Vornado                                                                | 106,169                 | 359,297    | 541,539    |
| Preferred share dividends                                                                         | (57,076)                | (57,091)   | (57,177 )  |
| Net income attributable to common shareholders                                                    | 49,093                  | 302,206    | 484,362    |
| Earnings allocated to unvested participating securities                                           | (184 )                  | (328)      | (543 )     |
| Numerator for basic income per share                                                              | 48,909                  | 301,878    | 483,819    |
| Impact of assumed conversions:                                                                    |                         |            |            |
| Convertible preferred share dividends                                                             |                         |            | 277        |
| Numerator for diluted income per share                                                            | \$ 48,909               | \$ 301,878 | \$ 484,096 |
| <b>Denominator:</b>                                                                               |                         |            |            |
| Denominator for basic income per share weighted average shares                                    | 171,595                 | 153,900    | 151,949    |
| Effect of dilutive securities (1):                                                                |                         |            |            |
| Employee stock options and restricted share awards                                                | 1,908                   | 4,219      | 6,491      |
| Convertible preferred shares                                                                      |                         |            | 118        |
| Denominator for diluted income per share adjusted weighted average shares and assumed conversions | 173,503                 | 158,119    | 158,558    |
| <b>INCOME PER COMMON SHARE BASIC:</b>                                                             |                         |            |            |
| Income from continuing operations, net                                                            | \$ 0.00                 | \$ 0.94    | \$ 2.78    |
| Income from discontinued operations, net                                                          | 0.28                    | 1.02       | 0.40       |
| Net income per common share                                                                       | \$ 0.28                 | \$ 1.96    | \$ 3.18    |
| <b>INCOME PER COMMON SHARE DILUTED:</b>                                                           |                         |            |            |

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|                                          |         |         |         |
|------------------------------------------|---------|---------|---------|
| Income from continuing operations, net   | \$ 0.00 | \$ 0.91 | \$ 2.66 |
| Income from discontinued operations, net | 0.28    | 1.00    | 0.39    |
| Net income per common share              | \$ 0.28 | \$ 1.91 | \$ 3.05 |

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(1) The effect of dilutive securities in the years ended December 31, 2009, 2008 and 2007 excludes an aggregate of 21,276, 25,501, and 22,272 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****16. Comprehensive Income**

(Amounts in thousands)

|                                                                     | <b>For The Years Ended December 31,</b> |             |             |
|---------------------------------------------------------------------|-----------------------------------------|-------------|-------------|
|                                                                     | <b>2009</b>                             | <b>2008</b> | <b>2007</b> |
| Net income                                                          | \$ 128,450                              | \$ 411,445  | \$ 607,833  |
| Other comprehensive income (loss)                                   | 35,348                                  | (36,671 )   | (63,191 )   |
| Comprehensive income                                                | 163,798                                 | 374,774     | 544,642     |
| Less: Comprehensive income attributable to noncontrolling interests | (25,144 )                               | (48,701 )   | (60,038 )   |
| Comprehensive income attributable to Vornado                        | \$ 138,654                              | \$ 326,073  | \$ 484,604  |

Substantially all of the other comprehensive income (loss) for the years ended December 31, 2009, 2008 and 2007 relates to losses or income from the mark-to-market of marketable equity securities classified as available-for-sale and our share of other comprehensive income of partially owned entities.

**17. Leases*****As lessor:***

We lease space to tenants under operating leases. Most of the leases provide for the payment of fixed base rentals payable monthly in advance. Office building leases generally require the tenants to reimburse us for operating costs and real estate taxes above their base year costs. Shopping center leases provide for the pass through to tenants the tenants' share of real estate taxes, insurance and maintenance. Shopping center leases also provide for the payment by the lessee of additional rent based on a percentage of the tenants' sales. As of December 31, 2009, future base rental revenue under non-cancelable operating leases, excluding rents for leases with an original term of less than one year and rents resulting from the exercise of renewal options, is as follows:

(Amounts in thousands)

**Year Ending December 31:**

|            |              |
|------------|--------------|
| 2010       | \$ 1,873,000 |
| 2011       | 1,755,000    |
| 2012       | 1,593,000    |
| 2013       | 1,453,000    |
| 2014       | 1,331,000    |
| Thereafter | 6,471,000    |

These amounts do not include rentals based on tenants' sales. These percentage rents approximated \$9,051,000, \$7,322,000, and \$9,379,000, for the years ended December 31, 2009, 2008, and 2007, respectively.

**As lessor:**

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2009, 2008 and 2007.

**Vornado Realty Trust****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****17. Leases - continued*****Former Bradlees Locations***

Pursuant to the Master Agreement and Guaranty, dated May 1, 1992, we are due \$5,000,000 per annum of additional rent from Stop & Shop which was allocated to certain of Bradlees former locations. On December 31, 2002, prior to the expiration of the leases to which the additional rent was allocated, we reallocated this rent to other former Bradlees leases also guaranteed by Stop & Shop. Stop & Shop is contesting our right to reallocate and claims that we are no longer entitled to the additional rent. At December 31, 2009, we were due an aggregate of \$35,417,000. We believe the additional rent provision of the guaranty expires, at the earliest, in 2012 and we are vigorously contesting Stop & Shop's position.

*As lessee:*

We are a tenant under operating leases for certain properties. These leases have terms that expire during the next thirty years. Future minimum lease payments under operating leases at December 31, 2009, are as follows:

(Amounts in thousands)

**Year Ending December 31:**

|            |    |           |
|------------|----|-----------|
| 2010       | \$ | 27,113    |
| 2011       |    | 26,896    |
| 2012       |    | 27,152    |
| 2013       |    | 27,166    |
| 2014       |    | 27,326    |
| Thereafter |    | 1,036,466 |

Rent expense was \$35,463,000, \$29,320,000, and \$24,503,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

We are also a lessee under capital leases for real estate. Lease terms generally range from 5-20 years with renewal or purchase options. Capitalized leases are recorded at the present value of future minimum lease payments or the fair

market value of the property. Capitalized leases are depreciated on a straight-line basis over the estimated life of the asset or life of the related lease, whichever is shorter. Amortization expense on capital leases is included in depreciation and amortization on our consolidated statements of income. As of December 31, 2009, future minimum lease payments under capital leases are as follows:

(Amounts in thousands)

**Year Ending December 31:**

|                                       |    |         |   |
|---------------------------------------|----|---------|---|
| 2010                                  | \$ | 707     |   |
| 2011                                  |    | 706     |   |
| 2012                                  |    | 707     |   |
| 2013                                  |    | 706     |   |
| 2014                                  |    | 707     |   |
| Thereafter                            |    | 17,427  |   |
| Total minimum obligations             |    | 20,960  |   |
| Interest portion                      |    | (14,207 | ) |
| Present value of net minimum payments | \$ | 6,753   |   |

At December 31, 2009 and 2008, \$6,753,000 and \$6,788,000, respectively, representing the present value of net minimum payments are included in Other Liabilities on our consolidated balance sheets. At December 31, 2009 and 2008, property leased under capital leases had a total cost of \$6,216,000 and \$6,216,000, respectively, and accumulated depreciation of \$1,873,000 and \$1,717,000, respectively.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**18. Commitments and Contingencies**

*Insurance*

We maintain general liability insurance with limits of \$300,000,000 per occurrence and all risk property and rental value insurance with limits of \$2.0 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of \$150,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, and a \$150,000,000 annual aggregate.

Penn Plaza Insurance Company, LLC ( PPIC ), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of our earthquake insurance coverage and as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ( NBCR ) acts, as defined by TRIPRA. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Our coverage for NBCR losses is up to \$2 billion per occurrence, for which PPIC is responsible for a deductible of \$3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by PPIC.

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

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

*Other Commitments and Contingencies*

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or

repayment of the underlying loans. As of December 31, 2009, the aggregate dollar amount of these guarantees and master leases is approximately \$135,000,000.

At December 31, 2009, \$37,232,000 of letters of credit were outstanding under our \$0.965 billion revolving credit facility. Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

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

We are committed to fund additional capital to certain of our partially owned entities aggregating approximately \$90,406,000. Of this amount, \$71,788,000 is committed to IPF and is pledged as collateral to IPF's lender.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**18. Commitments and Contingencies continued**

*Litigation*

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

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ( USDC-NJ ) claiming that we had no right to reallocate and therefore continue to collect the \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the \$5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze our right to reallocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York State Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York State Supreme Court. On February 14, 2005, we served an answer in which we asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court's decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court's decision. On January 16, 2007, we filed a motion for the reconsideration of one aspect of the Appellate Court's decision which was denied on March 13, 2007. Discovery is now complete. On October 19, 2009, Stop & Shop filed a motion for leave to amend its pleadings to assert new claims for relief, including a claim for damages in an unspecified amount, and an additional affirmative defense. The motion was argued and submitted for decision on December 18, 2009. The course of future proceedings will depend upon the outcome of Stop & Shop's motion, but we anticipate that a trial date will be set for some time in 2010. We intend to vigorously pursue our claims against Stop & Shop. In our opinion, after consultation with legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flows.

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas and the 555 California Street complex. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against,

among others, the general partners of the partnerships referred to above relating to a dispute over the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions issued in 2006, 2007 and 2009, the New York State Supreme Court dismissed all of Mr. Trump's claims, and those decisions were affirmed by the Appellate Division. Mr. Trump cannot further appeal those decisions.

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

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**19. Related Party Transactions**

***Transactions with Affiliates and Officers and Trustees***

*Alexander's*

We own 32.4% of Alexander's. Steven Roth, the Chairman of our Board, and Michael D. Fascitelli, our President and Chief Executive Officer, are officers and directors of Alexander's. We provide various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 3 - Investments in Partially Owned Entities.

On March 2, 2009, Mr. Roth and Mr. Fascitelli each exercised 150,000 stock appreciation rights (SARs) which were scheduled to expire on March 4, 2009 and each received gross proceeds of \$11,419,000.

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

On September 15, 2008 and October 14, 2008, Mr. Roth exercised an aggregate of 200,000 SARs which were scheduled to expire on March 4, 2009 and received gross proceeds of \$62,809,000.

*Interstate Properties (Interstate)*

Interstate is a general partnership in which Mr. Roth is the managing general partner. David Mandelbaum and Russell B. Wight, Jr., Trustees of Vornado and Directors of Alexander's, are Interstate's two other partners. As of December 31, 2009, Interstate and its partners beneficially owned approximately 7.3% of the common shares of beneficial interest of Vornado and 27.2% of Alexander's common stock.

We manage and lease the real estate assets of Interstate pursuant to a management agreement for which we receive an annual fee equal to 4% of annual base rent and percentage rent. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on sixty days' notice at the end of the term. We believe, based upon comparable fees charged by other real estate companies, that the management agreement terms are fair to us. We earned \$782,000, \$803,000 and \$800,000 of management fees under the agreement for the years ended December 31, 2009, 2008 and 2007.

## **20. Retirement Plans**

Prior to December 2008, we had two defined benefit pension plans, a Vornado Realty Trust Retirement Plan ( Vornado Plan ) and a Merchandise Mart Properties Pension Plan ( Mart Plan ). The benefits under the Vornado Plan and the Mart Plan (collectively, the Plans ) were frozen in December 1997 and June 1999, respectively. Benefits under the Plans were primarily based on years of service and compensation during employment or on years of credited service and established monthly benefits. Funding policy for the Plans was based on contributions at the minimum amounts required by law. During the first quarter of 2009, we finalized the termination of the Mart Plan, which resulted in a \$2,800,000 pension settlement expense. During the fourth quarter of 2008, we finalized the termination of the Vornado Plan which resulted in a \$4,600,000 pension settlement expense. These charges are included as a component of general and administrative expense on our consolidated statements of income.

**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****21. Summary of Quarterly Results (Unaudited)**

The following summary represents the results of operations for each quarter in 2009 and 2008:

|                                                  |                 | <b>Net (Loss) Income<br/>Attributable<br/>to Common<br/>Shareholders (1)</b> | <b>Net (Loss) Income Per<br/>Common Share (2)</b> |                |
|--------------------------------------------------|-----------------|------------------------------------------------------------------------------|---------------------------------------------------|----------------|
|                                                  | <b>Revenues</b> |                                                                              | <b>Basic</b>                                      | <b>Diluted</b> |
| (Amounts in thousands, except per share amounts) |                 |                                                                              |                                                   |                |
| <b>2009</b>                                      |                 |                                                                              |                                                   |                |
| December 31                                      | \$ 719,003      | \$ (151,192 )                                                                | \$ (0.84 )                                        | \$ (0.84 )     |
| September 30                                     | 671,219         | 126,348                                                                      | 0.71                                              | 0.70           |
| June 30                                          | 673,790         | (51,904 )                                                                    | (0.30 )                                           | (0.30 )        |
| March 31                                         | 678,566         | 125,841                                                                      | 0.81                                              | 0.80           |
| <b>2008</b>                                      |                 |                                                                              |                                                   |                |
| December 31                                      | \$ 695,153      | \$ (226,951 )                                                                | \$ (1.47 )                                        | \$ (1.47 )     |
| September 30                                     | 676,068         | 22,736                                                                       | 0.15                                              | 0.14           |
| June 30                                          | 673,261         | 116,858                                                                      | 0.76                                              | 0.74           |
| March 31                                         | 648,204         | 389,563                                                                      | 2.54                                              | 2.42           |

(1) Fluctuations among quarters resulted primarily from non-cash impairment losses, mark-to-market of derivative instruments, net gains on sale of real estate and from seasonality of business operations.

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



## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. Segment Information

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

(Amounts in thousands)

|                                                 | For the Year Ended December 31, 2009 |                 |             |            |             |          |                      |
|-------------------------------------------------|--------------------------------------|-----------------|-------------|------------|-------------|----------|----------------------|
|                                                 |                                      | Washington,     |             |            | Merchandise |          |                      |
|                                                 | Total                                | New York Office | DC Office   | Retail     | Mart        | Toys     | Other <sup>(3)</sup> |
| Property rentals                                | \$2,058,811                          | \$758,557       | \$538,882   | \$365,379  | \$236,761   | \$       | \$159,232            |
| Straight-line rents:                            |                                      |                 |             |            |             |          |                      |
| Contractual rent increases                      | 54,945                               | 28,423          | 11,942      | 12,596     | 1,891       |          | 93                   |
| Amortization of free rent                       | 36,048                               | 8,382           | 12,257      | 14,631     | 402         |          | 376                  |
| Amortization of acquired below- market          |                                      |                 |             |            |             |          |                      |
| leases, net                                     | 72,481                               | 40,129          | 3,891       | 23,081     | 89          |          | 5,291                |
| Total rentals                                   | 2,222,285                            | 835,491         | 566,972     | 415,687    | 239,143     |          | 164,992              |
| Tenant expense reimbursements                   | 361,982                              | 136,541         | 64,441      | 135,178    | 15,984      |          | 9,838                |
| Fee and other income:                           |                                      |                 |             |            |             |          |                      |
| Tenant cleaning fees                            | 58,512                               | 80,237          |             |            |             |          | (21,725)             |
| Management and leasing fees                     | 11,456                               | 4,211           | 8,183       | 1,731      | 88          |          | (2,757)              |
| Lease termination fees                          | 5,525                                | 1,840           | 2,224       | 464        | 858         |          | 139                  |
| Other                                           | 82,818                               | 14,180          | 47,830      | 2,677      | 9,677       |          | 8,454                |
| Total revenues                                  | 2,742,578                            | 1,072,500       | 689,650     | 555,737    | 265,750     |          | 158,941              |
| Operating expenses                              | 1,087,785                            | 452,370         | 228,740     | 206,590    | 135,385     |          | 64,700               |
| Depreciation and amortization                   | 539,503                              | 173,923         | 144,317     | 102,210    | 56,171      |          | 62,882               |
| General and administrative                      | 231,688                              | 22,820          | 26,219      | 30,433     | 31,587      |          | 120,629              |
| Impairment and other losses                     | 87,823                               |                 | 24,875      | 23,649     |             |          | 39,299               |
| Total expenses                                  | 1,946,799                            | 649,113         | 424,151     | 362,882    | 223,143     |          | 287,510              |
| Operating income (loss)                         | 795,779                              | 423,387         | 265,499     | 192,855    | 42,607      |          | (128,569)            |
| Income applicable to Alexander's                | 53,529                               | 770             |             | 791        |             |          | 51,968               |
| Income applicable to Toys                       | 92,300                               |                 |             |            |             | 92,300   |                      |
| (Loss) income from partially owned              |                                      |                 |             |            |             |          |                      |
| entities                                        | (73,439)                             | ) 5,047         | 4,850       | 3,937      | 151         |          | (87,424)             |
| Interest and other investment (loss)            |                                      |                 |             |            |             |          |                      |
| Income, net                                     | (116,330)                            | ) 876           | 789         | 85         | 96          |          | (118,176)            |
| Interest and debt expense                       | (634,283)                            | ) (133,647)     | ) (129,380) | ) (90,068) | ) (51,959)  | )        | (229,229)            |
| Net (loss) gain on early extinguishment of debt | (25,915)                             | )               |             | 769        |             |          | (26,684)             |
| Net gain on disposition of wholly owned         |                                      |                 |             |            |             |          |                      |
| and partially owned assets other                |                                      |                 |             |            |             |          |                      |
| than depreciable real estate                    | 5,641                                |                 |             |            |             |          | 5,641                |
| Income (loss) before income taxes               | 97,282                               | 296,433         | 141,758     | 108,369    | (9,105)     | ) 92,300 | (532,473)            |
| Income tax expense                              | (20,737)                             | ) (1,332)       | ) (1,577)   | ) (319)    | ) (2,140)   | )        | (15,369)             |
| Income (loss) from continuing operations        | 76,545                               | 295,101         | 140,181     | 108,050    | (11,245)    | ) 92,300 | (547,842)            |

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|                                                                                          |              |            |            |            |            |            |              |
|------------------------------------------------------------------------------------------|--------------|------------|------------|------------|------------|------------|--------------|
| Income from discontinued operations                                                      | 51,905       |            | 46,004     | 5,901      |            |            |              |
| Net income (loss)                                                                        | 128,450      | 295,101    | 186,185    | 113,951    | (11,245 )  | 92,300     | (547,842)    |
| Net (income) loss attributable to noncontrolling interests, including unit distributions | (22,281 )    | (9,098 )   |            | 915        |            |            | (14,098)     |
| Net income (loss) attributable to Vornado                                                | 106,169      | 286,003    | 186,185    | 114,866    | (11,245 )  | 92,300     | (561,940)    |
| Interest and debt expense <sup>(2)</sup>                                                 | 826,827      | 126,968    | 132,610    | 95,990     | 52,862     | 127,390    | 291,007      |
| Depreciation and amortization <sup>(2)</sup>                                             | 728,815      | 168,517    | 152,747    | 105,903    | 56,702     | 132,227    | 112,719      |
| Income tax expense (benefit) <sup>(2)</sup>                                              | 10,193       | 1,332      | 1,590      | 319        | 2,208      | (13,185 )  | 17,929       |
| EBITDA <sup>(1)</sup>                                                                    | \$ 1,672,004 | \$ 582,820 | \$ 473,132 | \$ 317,078 | \$ 100,527 | \$ 338,732 | \$ (140,285) |

**Balance Sheet Data:**

|                                         |               |              |              |              |              |         |              |
|-----------------------------------------|---------------|--------------|--------------|--------------|--------------|---------|--------------|
| Real estate at cost                     | \$ 17,949,517 | \$ 5,438,655 | \$ 4,722,678 | \$ 4,680,284 | \$ 1,339,234 | \$      | \$ 1,768,666 |
| Investments in partially owned entities | 1,209,285     | 128,961      | 119,182      | 22,955       | 6,520        | 409,453 | 522,214      |
| Total Assets                            | 20,185,472    | 5,538,362    | 4,138,752    | 3,511,987    | 1,455,000    | 409,453 | 5,131,918    |

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See notes on page 163.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. Segment Information - continued

| (Amounts in thousands)                                                                                | For the Year Ended December 31, 2008 |                 |                       |           |                  |       | Other <sup>(3)</sup> |
|-------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------|-----------------------|-----------|------------------|-------|----------------------|
|                                                                                                       | Total                                | New York Office | Washington, DC Office | Retail    | Merchandise Mart | Toys  |                      |
| Property rentals                                                                                      | \$2,020,369                          | \$722,445       | \$509,377             | \$346,057 | \$245,400        | \$    | \$197,090            |
| Straight-line rents:                                                                                  |                                      |                 |                       |           |                  |       |                      |
| Contractual rent increases                                                                            | 57,953                               | 28,023          | 6,764                 | 16,416    | 5,954            |       | 796                  |
| Amortization of free rent                                                                             | 32,901                               | 14,743          | 10,778                | 4,156     | 2,703            |       | 521                  |
| Amortization of acquired below- market leases, net                                                    | 96,176                               | 60,355          | 4,423                 | 26,765    | 161              |       | 4,472                |
| Total rentals                                                                                         | 2,207,399                            | 825,566         | 531,342               | 393,394   | 254,218          |       | 202,879              |
| Tenant expense reimbursements                                                                         | 357,986                              | 135,788         | 61,448                | 128,120   | 18,567           |       | 14,063               |
| Fee and other income:                                                                                 |                                      |                 |                       |           |                  |       |                      |
| Tenant cleaning fees                                                                                  | 56,416                               | 71,833          |                       |           |                  |       | (15,417 )            |
| Management and leasing fees                                                                           | 13,397                               | 6,411           | 8,940                 | 1,673     | 349              |       | (3,976 )             |
| Lease termination fees                                                                                | 8,634                                | 3,088           | 2,635                 | 2,281     | 630              |       |                      |
| Other                                                                                                 | 48,854                               | 15,699          | 22,360                | 2,601     | 7,059            |       | 1,135                |
| Total revenues                                                                                        | 2,692,686                            | 1,058,385       | 626,725               | 528,069   | 280,823          |       | 198,684              |
| Operating expenses                                                                                    | 1,069,445                            | 439,012         | 220,103               | 200,760   | 137,971          |       | 71,599               |
| Depreciation and amortization                                                                         | 536,820                              | 190,925         | 137,255               | 91,746    | 51,833           |       | 65,061               |
| General and administrative                                                                            | 194,023                              | 20,217          | 26,548                | 29,862    | 29,254           |       | 88,142               |
| Impairment and other losses                                                                           | 81,447                               |                 |                       | 595       |                  |       | 80,852               |
| Total expenses                                                                                        | 1,881,735                            | 650,154         | 383,906               | 322,963   | 219,058          |       | 305,654              |
| Operating income (loss)                                                                               | 810,951                              | 408,231         | 242,819               | 205,106   | 61,765           |       | (106,970 )           |
| Income applicable to Alexander's                                                                      | 36,671                               | 763             |                       | 650       |                  |       | 35,258               |
| Income applicable to Toys                                                                             | 2,380                                |                 |                       |           |                  | 2,380 |                      |
| (Loss) income from partially owned entities                                                           | (195,878 )                           | 5,319           | 6,173                 | 9,721     | 1,106            |       | (218,197 )           |
| Interest and other investment (loss) income, net                                                      | (2,682 )                             | 2,288           | 2,116                 | 494       | 356              |       | (7,936 )             |
| Interest and debt expense                                                                             | (635,724 )                           | (139,146 )      | (126,508 )            | (86,787 ) | (52,148 )        |       | (231,135 )           |
| Net gain on early extinguishment of debt                                                              | 9,820                                |                 |                       |           |                  |       | 9,820                |
| Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate | 7,757                                |                 |                       |           |                  |       | 7,757                |
| Income (loss) before income taxes                                                                     | 33,295                               | 277,455         | 124,600               | 129,184   | 11,079           | 2,380 | (511,403 )           |
| Income tax benefit (expense)                                                                          | 204,537                              |                 | 220,973               | (82 )     | (1,206 )         |       | (15,148 )            |
| Income (loss) from continuing operations                                                              | 237,832                              | 277,455         | 345,573               | 129,102   | 9,873            | 2,380 | (526,551 )           |
| Income from discontinued operations                                                                   | 173,613                              |                 | 59,107                | 2,594     |                  |       | 111,912              |
| Net income (loss)                                                                                     | 411,445                              | 277,455         | 404,680               | 131,696   | 9,873            | 2,380 | (414,639 )           |
|                                                                                                       | (52,148 )                            | (4,762 )        |                       | 157       | (125 )           |       | (47,418 )            |

Net (income) loss attributable to  
noncontrolling interests, including  
unit distributions

|                                              |             |           |            |           |           |           |             |
|----------------------------------------------|-------------|-----------|------------|-----------|-----------|-----------|-------------|
| Net income (loss) attributable to Vornado    | 359,297     | 272,693   | 404,680    | 131,853   | 9,748     | 2,380     | (462,057 )  |
| Interest and debt expense <sup>(2)</sup>     | 821,940     | 132,406   | 130,310    | 102,600   | 53,072    | 147,812   | 255,740     |
| Depreciation and amortization <sup>(2)</sup> | 710,526     | 181,699   | 143,989    | 98,238    | 52,357    | 136,634   | 97,609      |
| Income tax (benefit) expense <sup>(2)</sup>  | (142,415 )  |           | (220,965 ) | 82        | 1,260     | 59,652    | 17,556      |
| EBITDA <sup>(1)</sup>                        | \$1,749,348 | \$586,798 | \$458,014  | \$332,773 | \$116,437 | \$346,478 | \$(91,152 ) |

**Balance Sheet Data:**

|                                         |              |             |             |             |             |         |             |
|-----------------------------------------|--------------|-------------|-------------|-------------|-------------|---------|-------------|
| Real estate at cost                     | \$17,819,679 | \$5,362,129 | \$4,570,131 | \$4,535,171 | \$1,344,093 | \$      | \$2,008,155 |
| Investments in partially owned entities | 1,083,250    | 129,934     | 115,121     | 20,079      | 6,969       | 293,096 | 518,051     |
| Total assets                            | 21,418,048   | 5,287,544   | 3,934,039   | 3,733,586   | 1,468,470   | 293,096 | 6,701,313   |

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See notes on page 163.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. Segment Information - continued

(Amounts in thousands)

For the Year Ended December 31, 2007

|                                                                                                             | Washington, |                    |              |           |                     |           |                      |
|-------------------------------------------------------------------------------------------------------------|-------------|--------------------|--------------|-----------|---------------------|-----------|----------------------|
|                                                                                                             | Total       | New York<br>Office | DC<br>Office | Retail    | Merchandise<br>Mart | Toys      | Other <sup>(3)</sup> |
| Property rentals                                                                                            | \$1,812,139 | \$640,739          | \$454,563    | \$325,205 | \$237,199           | \$        | \$154,433            |
| Straight-line rents:                                                                                        |             |                    |              |           |                     |           |                      |
| Contractual rent increases                                                                                  | 42,215      | 13,281             | 11,863       | 12,034    | 4,193               |           | 844                  |
| Amortization of free rent                                                                                   | 34,602      | 15,935             | 14,115       | 1,138     | 1,836               |           | 1,578                |
| Amortization of acquired below- market<br>leases, net                                                       | 83,274      | 47,861             | 4,597        | 25,960    | 193                 |           | 4,663                |
| Total rentals                                                                                               | 1,972,230   | 717,816            | 485,138      | 364,337   | 243,421             |           | 161,518              |
| Tenant expense reimbursements                                                                               | 323,075     | 125,940            | 45,046       | 120,379   | 19,570              |           | 12,140               |
| Fee and other income:                                                                                       |             |                    |              |           |                     |           |                      |
| Tenant cleaning fees                                                                                        | 46,238      | 58,837             |              |           |                     |           | (12,599 )            |
| Management and leasing fees                                                                                 | 15,713      | 4,928              | 12,539       | 1,770     | 7                   |           | (3,531 )             |
| Lease termination fees                                                                                      | 7,453       | 3,500              | 453          | 2,823     | 677                 |           |                      |
| Other                                                                                                       | 40,534      | 16,239             | 16,286       | 2,259     | 6,997               |           | (1,247 )             |
| Total revenues                                                                                              | 2,405,243   | 927,260            | 559,462      | 491,568   | 270,672             |           | 156,281              |
| Operating expenses                                                                                          | 950,487     | 395,357            | 183,278      | 171,960   | 131,332             |           | 68,560               |
| Depreciation and amortization                                                                               | 440,224     | 150,268            | 117,118      | 77,679    | 47,105              |           | 48,054               |
| General and administrative                                                                                  | 189,024     | 17,252             | 27,612       | 27,476    | 28,168              |           | 88,516               |
| Impairment and other losses                                                                                 | 10,375      |                    |              |           |                     |           | 10,375               |
| Total expenses                                                                                              | 1,590,110   | 562,877            | 328,008      | 277,115   | 206,605             |           | 215,505              |
| Operating income (loss)                                                                                     | 815,133     | 364,383            | 231,454      | 214,453   | 64,067              |           | (59,224 )            |
| Income applicable to Alexander's                                                                            | 50,589      | 757                |              | 812       |                     |           | 49,020               |
| Loss applicable to Toys R Us                                                                                | (14,337 )   |                    |              |           |                     | (14,337 ) |                      |
| Income from partially owned entities                                                                        | 31,891      | 4,799              | 8,728        | 9,041     | 1,053               |           | 8,270                |
| Interest and other investment income, net                                                                   | 226,425     | 2,888              | 5,982        | 534       | 390                 |           | 216,631              |
| Interest and debt expense                                                                                   | (599,804 )  | (133,804 )         | (126,163 )   | (78,234 ) | (52,237 )           |           | (209,366 )           |
| Net gain on disposition of wholly owned<br>and partially owned assets other<br>than depreciable real estate | 39,493      |                    |              |           |                     |           | 39,493               |
| Income (loss) before income taxes                                                                           | 549,390     | 239,023            | 120,001      | 146,606   | 13,273              | (14,337 ) | 44,824               |
| Income tax expense                                                                                          | (9,179 )    |                    | (2,909 )     | (185 )    | (969 )              |           | (5,116 )             |
| Income (loss) from continuing operations                                                                    | 540,211     | 239,023            | 117,092      | 146,421   | 12,304              | (14,337 ) | 39,708               |
| Income (loss) from discontinued<br>operations                                                               | 67,622      |                    | 62,557       | 9,497     |                     |           | (4,432 )             |
| Net income (loss)                                                                                           | 607,833     | 239,023            | 179,649      | 155,918   | 12,304              | (14,337 ) | 35,276               |
| Net (income) loss attributable to<br>noncontrolling interests, including<br>unit distributions              | (66,294 )   | (3,583 )           |              | 96        |                     |           | (62,807 )            |

Transactions with Affiliates and Officers and Trustees

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|                                              |             |           |           |           |           |           |           |
|----------------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net income (loss) attributable to Vornado    | 541,539     | 235,440   | 179,649   | 156,014   | 12,304    | (14,337 ) | (27,531 ) |
| Interest and debt expense <sup>(2)</sup>     | 853,448     | 131,418   | 131,013   | 89,537    | 53,098    | 174,401   | 273,981   |
| Depreciation and amortization <sup>(2)</sup> | 676,660     | 147,340   | 132,302   | 82,002    | 47,711    | 155,800   | 111,505   |
| Income tax expense (benefit) <sup>(2)</sup>  | 4,234       |           | 6,738     | 185       | 969       | (10,898 ) | 7,240     |
| EBITDA <sup>(1)</sup>                        | \$2,075,881 | \$514,198 | \$449,702 | \$327,738 | \$114,082 | \$304,966 | \$365,195 |

**Balance Sheet Data:**

|                                         |              |             |             |             |             |         |             |
|-----------------------------------------|--------------|-------------|-------------|-------------|-------------|---------|-------------|
| Real estate at cost                     | \$17,029,965 | \$5,279,314 | \$4,446,071 | \$4,037,882 | \$1,301,532 | \$      | \$1,965,166 |
| Investments in partially owned entities | 1,504,831    | 146,784     | 120,561     | 111,152     | 6,283       | 298,089 | 821,962     |
| Total assets                            | 22,478,717   | 5,091,848   | 3,315,333   | 3,056,915   | 1,475,876   | 298,089 | 9,240,656   |

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See notes on following page.

**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****22. Segment Information - continued****Notes to the preceding tabular information:**

(1) EBITDA represents Earnings Before Interest, Taxes, Depreciation and Amortization. We consider EBITDA a supplemental measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered as an alternative to net income or cash flows and may not be comparable to similarly titled measures employed by other companies.

(2) Interest and debt expense, depreciation and amortization and income tax (benefit) expense in the reconciliation of net income to EBITDA include our share of these items from partially owned entities.

(3) Other EBITDA is comprised of:

| (Amounts in thousands)                                                            | For the Year Ended December 31, |           |           |
|-----------------------------------------------------------------------------------|---------------------------------|-----------|-----------|
|                                                                                   | 2009                            | 2008      | 2007      |
| Alexander s                                                                       | \$ 81,703                       | \$ 64,683 | \$ 78,375 |
| Lexington                                                                         | 50,024                          | 35,150    | 24,539    |
| 555 California Street (acquired 70% interest in May 2007)                         | 44,757                          | 48,316    | 34,073    |
| Hotel Pennsylvania                                                                | 15,108                          | 42,269    | 37,941    |
| GMH (sold in June 2008)                                                           |                                 |           | 22,604    |
| Industrial warehouses                                                             | 4,737                           | 5,264     | 4,881     |
| Other investments                                                                 | 6,981                           | 6,321     | 7,322     |
|                                                                                   | 203,310                         | 202,003   | 209,735   |
| Investment income and other (1)                                                   | 67,571                          | 101,526   | 180,137   |
| Corporate general and administrative expenses (1)                                 | (79,843 )                       | (91,967)  | (75,659)  |
| Net income attributable to noncontrolling interests, including unit distributions | (14,098 )                       | (47,418)  | (62,807)  |
| Write-off of unamortized costs from the voluntary surrender of equity awards      | (20,202 )                       |           |           |
| Net loss on early extinguishment of debt                                          | (26,684 )                       |           |           |
| Non-cash asset write-downs:                                                       |                                 |           |           |
| Mezzanine loans receivable                                                        | (190,738 )                      | 10,300    | (57,000)  |
| Investment in Lexington                                                           | (19,121 )                       | (107,882) |           |
| Marketable equity securities                                                      | (3,361 )                        | (76,352)  |           |
| Real estate primarily development projects:                                       |                                 |           |           |

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|                                                                                       |               |              |            |
|---------------------------------------------------------------------------------------|---------------|--------------|------------|
| Wholly owned entities (including costs of acquisitions not consummated)               | (39,299 )     | (80,852)     | (10,375)   |
| Partially owned entities                                                              | (17,820 )     | (96,037 )    |            |
| Derivative positions in marketable equity securities                                  |               | (33,740)     | 113,503    |
| Discontinued operations of Americold (including a \$112,690 net gain on sale in 2008) |               | 129,267      | 67,661     |
|                                                                                       | \$ (140,285 ) | \$ (91,152 ) | \$ 365,195 |

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(1) The amounts in these captions (for this table only) exclude the mark-to-market of our deferred compensation plan assets and offsetting liability.

**item 9. changes in and disagreements with accountants on accounting and financial disclosure**

None.

**Item 9A. Controls and Procedures**

**Disclosure Controls and Procedures:** Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15 (e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this annual report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

**Internal Control Over Financial Reporting:** There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Management's Report on Internal Control over Financial Reporting**

Management of Vornado Realty Trust, together with its consolidated subsidiaries (the **Company**), is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2009, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2009 was effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States, and that receipts and expenditures are being made only in accordance with authorizations of management and our trustees; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

The effectiveness of our internal control over financial reporting as of December 31, 2009 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 165, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2009.

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have audited the internal control over financial reporting of Vornado Realty Trust, together with its consolidated subsidiaries (the Company) as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of trustees, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and trustees of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on

the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition as of December 31, 2009 and the related consolidated statements of income, changes in equity, and cash flows for the year then ended of the Company and our report dated February 23, 2010 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 23, 2010

**Item 9B. Other Information**

None.

## **PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

Information relating to trustees of the Registrant, including its audit committee and audit committee financial expert, will be contained in a definitive Proxy Statement involving the election of trustees under the caption "Election of Trustees" which the Registrant will file with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 2009, and such information is incorporated herein by reference. Information relating to Executive Officers of the Registrant, appears on page 57 of this Annual Report on Form 10-K. Also incorporated herein by reference is the information under the caption "16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement.

The Registrant has adopted a Code of Business Conduct and Ethics that applies to, among others, Michael Fascitelli, its principal executive officer, and Joseph Macnow, its principal financial and accounting officer. This Code is available on our website at [www.vno.com](http://www.vno.com).

**Item 11. Executive Compensation**

Information relating to executive officer and director compensation will be contained in the Proxy Statement referred to above in Item 10, "Directors, Executive Officers and Corporate Governance," under the caption "Executive Compensation" and such information is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information relating to security ownership of certain beneficial owners and management will be contained in the Proxy Statement referred to in Item 10, "Directors, Executive Officers and Corporate Governance," under the caption "Principal Security Holders" and such information is incorporated herein by reference.

***Equity compensation plan information***

The following table provides information as of December 31, 2009 regarding our equity compensation plans.

| Plan Category                                               | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column) |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by security holders      | 7,259,833                                                                                   | (1)\$ 47.90                                                                 | 4,854,047                                                                                                                                          |
| Equity compensation awards not approved by security holders |                                                                                             |                                                                             | (2)                                                                                                                                                |
| Total                                                       | 7,259,833                                                                                   | \$ 47.90                                                                    | 4,854,047                                                                                                                                          |

(1) Includes 55,618 restricted common shares, 508,080 restricted Operating Partnership units and 516,329 Out-Performance Plan units which do not have an option exercise price.

(2) All of the shares available for future issuance under plans approved by the security holders may be issued as restricted shares or performance shares.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information relating to certain relationships and related transactions will be contained in the Proxy Statement referred to in Item 10, Directors, Executive Officers and Corporate Governance, under the caption Certain Relationships and Related Transactions and such information is incorporated herein by reference.



**Item 14. Principal Accountant Fees and Services**

Information relating to Principal Accountant fees and services will be contained in the Proxy Statement referred to in Item 10, Directors, Executive Officers and Corporate Governance, under the caption Ratification of Selection of Independent Auditors and such information is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

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

1. The consolidated financial statements are set forth in Item 8 of this Annual Report on Form 10-K.

The following financial statement schedules should be read in conjunction with the financial statements included in Item 8 of this Annual Report on Form 10-K.

|                                                                                     | <b>Pages in this<br/>Annual Report<br/>on Form 10-K</b> |
|-------------------------------------------------------------------------------------|---------------------------------------------------------|
| II--Valuation and Qualifying Accounts--years ended December 31, 2009, 2008 and 2007 | 169                                                     |
| III--Real Estate and Accumulated Depreciation as of December 31, 2009               | 170                                                     |

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

The following exhibits listed on the Exhibit Index are filed with this Annual Report on Form 10-K.

**Exhibit No.**

|      |                                                           |
|------|-----------------------------------------------------------|
| 12.1 | Computation of Ratios                                     |
| 21   | Subsidiaries of Registrant                                |
| 23   | Consent of Independent Registered Public Accounting Firm  |
| 31.1 | Rule 13a-14 (a) Certification of Chief Executive Officer  |
| 31.2 | Rule 13a-14 (a) Certification of Chief Financial Officer  |
| 32.1 | Section 1350 Certification of the Chief Executive Officer |
| 32.2 | Section 1350 Certification of the Chief Financial Officer |



# SIGNATURES

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

## VORNADO REALTY TRUST

(Registrant)

Date: February 23, 2010

By: /s/ Joseph Macnow  
Joseph Macnow, Executive Vice President  
Finance and Administration and  
Chief Financial Officer (duly authorized officer  
and principal financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| Signature                                               | Title                                                                  | Date              |
|---------------------------------------------------------|------------------------------------------------------------------------|-------------------|
| By: /s/Steven Roth<br>(Steven Roth)                     | Chairman of the Board of Trustees                                      | February 23, 2010 |
| By: /s/Michael D. Fascitelli<br>(Michael D. Fascitelli) | President and Chief Executive Officer<br>(Principal Executive Officer) | February 23, 2010 |
| By: /s/Candace L. Beinecke<br>(Candace L. Beinecke)     | Trustee                                                                | February 23, 2010 |
| By: /s/Anthony W. Deering<br>(Anthony W. Deering)       | Trustee                                                                | February 23, 2010 |
| By: /s/Robert P. Kogod<br>(Robert P. Kogod)             | Trustee                                                                | February 23, 2010 |
| By: /s/Michael Lynne<br>(Michael Lynne)                 | Trustee                                                                | February 23, 2010 |
| By: /s/David Mandelbaum<br>(David Mandelbaum)           | Trustee                                                                | February 23, 2010 |
| By: /s/Ronald G. Targan<br>(Ronald G. Targan)           | Trustee                                                                | February 23, 2010 |

|                                                    |                                                                                                                                    |                   |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| By: /s/Richard R. West<br>(Richard R. West)        | Trustee                                                                                                                            | February 23, 2010 |
| By: /s/Russell B. Wight<br>(Russell B. Wight, Jr.) | Trustee                                                                                                                            | February 23, 2010 |
| By: /s/Joseph Macnow<br>(Joseph Macnow)            | Executive Vice President Finance and<br>Administration and Chief Financial Officer<br>(Principal Financial and Accounting Officer) | February 23, 2010 |

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**VORNADO REALTY TRUST****AND SUBSIDIARIES****SCHEDULE II****VALUATION AND QUALIFYING ACCOUNTS**

(Amounts in Thousands)

| <b>Column A</b>                      | <b>Column B</b>                             | <b>Column C</b>                                         | <b>Column D</b>                                   | <b>Column E</b>                       |
|--------------------------------------|---------------------------------------------|---------------------------------------------------------|---------------------------------------------------|---------------------------------------|
| <b>Description</b>                   | <b>Balance at<br/>Beginning<br/>of Year</b> | <b>Additions<br/>Charged<br/>Against<br/>Operations</b> | <b>Uncollectible<br/>Accounts<br/>Written-off</b> | <b>Balance<br/>at End<br/>of Year</b> |
| <b>Year Ended December 31, 2009:</b> |                                             |                                                         |                                                   |                                       |
| Allowance for doubtful accounts      | \$ 85,307                                   | \$ 216,712                                              | \$ (59,893 )                                      | \$ 242,126                            |
| <b>Year Ended December 31, 2008:</b> |                                             |                                                         |                                                   |                                       |
| Allowance for doubtful accounts      | \$ 79,227                                   | \$ 20,931                                               | \$ (14,851 )                                      | \$ 85,307                             |
| <b>Year Ended December 31, 2007:</b> |                                             |                                                         |                                                   |                                       |
| Allowance for doubtful accounts      | \$ 18,199                                   | \$ 65,680                                               | \$ (4,652 )                                       | \$ 79,227                             |

# VORNADO REALTY TRUST

## AND SUBSIDIARIES

### SCHEDULE III

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

(Amounts in thousands)

| COLUMN A     | COLUMN B                    | COLUMN C     | COLUMN D    | COLUMN E                                         | COLUMN F     | COLUMN G     | COLUMN H        |           |           |     |
|--------------|-----------------------------|--------------|-------------|--------------------------------------------------|--------------|--------------|-----------------|-----------|-----------|-----|
|              | Initial cost to company (1) |              |             | Gross amount at which carried at close of period |              |              |                 |           |           |     |
|              |                             | Costs        |             |                                                  | Accumulated  |              |                 |           |           |     |
|              |                             | Buildings    | capitalized | Buildings                                        | depreciation |              |                 |           |           |     |
|              |                             | and          | subsequent  | and                                              | and          | Date of      | Da              |           |           |     |
| Encumbrances | Land                        | improvements | costs       | improvements                                     | Total (2)    | amortization | acquisition (3) |           |           |     |
| Americas     | \$ 434,643                  | \$ 515,539   | \$ 923,653  | \$ 59,072                                        | \$ 515,539   | \$ 982,725   | \$ 1,498,264    | \$ 72,814 | 1963      | 200 |
|              | 430,000                     | 265,889      | 363,381     | 21,432                                           | 265,889      | 384,813      | 650,702         | 28,686    | 1960      | 200 |
|              | -                           | -            | 412,169     | 143,618                                          | -            | 555,787      | 555,787         | 162,385   | 1972      | 199 |
| hattan Mall) | 159,361                     | 242,776      | 247,970     | 1,870                                            | 242,776      | 249,840      | 492,616         | 18,522    | 1911      | 200 |
|              | 282,492                     | 53,615       | 164,903     | 74,212                                           | 52,689       | 240,041      | 292,730         | 85,541    | 1968      | 199 |
|              | 353,000                     | 52,898       | 95,686      | 73,471                                           | 52,898       | 169,157      | 222,055         | 55,543    | 1907      | 199 |
|              | -                           | 8,000        | 175,890     | 31,450                                           | 8,000        | 207,340      | 215,340         | 64,950    | 1964      | 199 |
|              | 318,554                     | -            | 117,269     | 90,468                                           | -            | 207,737      | 207,737         | 59,795    | 1980      | 199 |
|              | -                           | 38,224       | 25,992      | 107,485                                          | 38,224       | 133,477      | 171,701         | 41,348    | 1950      | 199 |
|              | 203,198                     | 40,333       | 85,259      | 41,681                                           | 40,333       | 126,940      | 167,273         | 40,104    | 1923      | 199 |
|              | -                           | 26,971       | 102,890     | 36,366                                           | 26,971       | 139,256      | 166,227         | 37,381    | 1950      | 199 |
|              | 210,660                     | -            | 120,723     | 34,952                                           | -            | 155,675      | 155,675         | 44,449    | 1969      | 199 |
|              | -                           | 39,303       | 80,216      | 27,970                                           | 39,303       | 108,186      | 147,489         | 34,175    | 1969      | 199 |
|              | -                           | 62,731       | 62,888      | 13,103                                           | 62,731       | 75,991       | 138,722         | 18,779    | 1968      | 199 |
| plaza        | 44,978                      | 32,196       | 37,534      | 10,217                                           | 32,196       | 47,751       | 79,947          | 16,834    | 1966      | 199 |
|              | -                           | -            | 28,760      | 24,838                                           | -            | 53,598       | 53,598          | 12,977    | 1956      | 199 |
|              | -                           | 15,732       | 26,388      | 4,054                                            | 15,732       | 30,442       | 46,174          | 10,081    | 1987      | 199 |
|              | -                           | 19,721       | 13,446      | 10,479                                           | 19,721       | 23,925       | 43,646          | 8,322     | 1925      | 199 |
|              | -                           | -            | 8,599       | 11,407                                           | -            | 20,006       | 20,006          | 7,461     | 1925      | 199 |
| et           | -                           | 6,503        | 10,057      | 455                                              | 6,503        | 10,512       | 17,015          | 1,140     | 1928      | 200 |
| ge           | -                           | 4,086        | 8,914       | -                                                | 4,086        | 8,914        | 13,000          | 784       | 1990      | 200 |
|              | -                           | -            | 5,548       | 33,836                                           | -            | 39,384       | 39,384          | 2,801     |           |     |
|              | 2,436,886                   | 1,424,517    | 3,118,135   | 852,436                                          | 1,423,591    | 3,971,497    | 5,395,088       | 824,872   |           |     |
| rive         | 130,711                     | 100,935      | 409,920     | 115,942                                          | 100,228      | 526,569      | 626,797         | 117,024   | 1984-1989 | 200 |

|                                          |         |         |         |         |         |         |         |        |           |     |
|------------------------------------------|---------|---------|---------|---------|---------|---------|---------|--------|-----------|-----|
| Highway,<br>ive, 223 23rd<br>ark Street, |         |         |         |         |         |         |         |        |           |     |
| 20 20 <sup>th</sup> Street               | 75,629  | 57,213  | 131,206 | 178,990 | 57,070  | 310,339 | 367,409 | 47,624 | 1964-1969 | 200 |
|                                          | 292,700 | 70,853  | 246,169 | 20,592  | 81,983  | 255,631 | 337,614 | 28,156 | 1992      | 200 |
| rive/                                    |         |         |         |         |         |         |         |        |           |     |
|                                          | 173,861 | 64,817  | 218,330 | 45,138  | 64,652  | 263,633 | 328,285 | 62,962 | 1974-1980 | 200 |
| nts                                      | 259,546 | 118,421 | 125,078 | 49,869  | 138,696 | 154,672 | 293,368 | 10,095 |           | 200 |
| dings)                                   | 442,500 | 41,986  | 221,869 | 22,415  | 41,862  | 244,408 | 286,270 | 56,063 | 1973-1984 | 200 |
| Street/ 200, 201                         |         |         |         |         |         |         |         |        |           |     |
|                                          | 95,763  | 47,594  | 177,373 | 20,769  | 47,465  | 198,271 | 245,736 | 46,907 | 1983-1987 | 200 |
| South Bell Street                        | 19,339  | 37,551  | 118,806 | 23,752  | 37,551  | 142,558 | 180,109 | 31,011 | 1968      | 200 |
| t                                        | 85,735  | 67,049  | 5,039   | 103,626 | 68,198  | 107,516 | 175,714 | 388    |           | 200 |
|                                          | 150,000 | 32,815  | 51,642  | 80,489  | 39,768  | 125,178 | 164,946 | 7,785  | 1975      | 200 |
| se Plaza                                 | 65,133  | -       | 105,475 | 26,836  | -       | 132,311 | 132,311 | 31,122 | 1988-1989 | 200 |
|                                          | 115,022 | 30,077  | 98,962  | 1,681   | 30,176  | 100,544 | 130,720 | 11,969 | 2004      | 200 |

# VORNADO REALTY TRUST

## AND SUBSIDIARIES

### SCHEDULE III

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

(Amounts in thousands)

| COLUMN A       | COLUMN B                    | COLUMN C          | COLUMN D                                               | COLUMN E                                         | COLUMN F  | COLUMN G                                  | COLUMN H                 |               |           |      |
|----------------|-----------------------------|-------------------|--------------------------------------------------------|--------------------------------------------------|-----------|-------------------------------------------|--------------------------|---------------|-----------|------|
|                | Initial cost to company (1) |                   |                                                        | Gross amount at which carried at close of period |           |                                           |                          |               |           |      |
|                | Encumbrances                | Land improvements | Costs Buildings capitalized and subsequent acquisition | Buildings and Land improvements                  | Total (2) | Accumulated depreciation and amortization | Date of construction (3) | Date acquired |           |      |
| ve NW          | 53,709                      | 36,303            | 82,004                                                 | 335                                              | 35,886    | 82,756                                    | 118,642                  | 8,251         | 1963      | 2007 |
|                | 100,800                     | 12,266            | 75,343                                                 | 29,804                                           | 12,231    | 105,182                                   | 117,413                  | 19,820        | 1988      | 2002 |
|                | 93,000                      | 15,424            | 85,722                                                 | 8,624                                            | 15,380    | 94,390                                    | 109,770                  | 22,686        | 1987-1989 | 2002 |
| 1D Land Parcel | -                           | 104,473           | 55                                                     | (12,878)                                         | 87,666    | 3,984                                     | 91,650                   | -             |           | 2007 |
|                | -                           | 10,719            | 69,658                                                 | 7,412                                            | 10,719    | 77,070                                    | 87,789                   | 23,479        | 1990      | 1998 |
| ve NW          | 52,920                      | 33,090            | 61,316                                                 | (7,824)                                          | 32,726    | 53,856                                    | 86,582                   | 5,463         | 1956      | 2007 |
|                | -                           | 106,946           | 1,326                                                  | (23,543)                                         | 83,400    | 1,329                                     | 84,729                   | 1,329         |           | 2007 |
| ve             | -                           | 13,401            | 58,705                                                 | 12,127                                           | 13,363    | 70,870                                    | 84,233                   | 17,584        | 1985-1989 | 2002 |
| t              | 53,252                      | 15,826            | 53,894                                                 | 13,329                                           | 15,826    | 67,223                                    | 83,049                   | 12,265        | 1981      | 2002 |
| e              | 134,699                     | 10,292            | 58,351                                                 | (3,499)                                          | 10,262    | 54,882                                    | 65,144                   | 13,672        | 2001      | 2002 |
|                | 29,047                      | 23,359            | 24,876                                                 | 14,270                                           | 24,723    | 37,782                                    | 62,505                   | 9,766         | 1970      | 2002 |
|                | -                           | 8,000             | 47,191                                                 | 5,396                                            | 8,000     | 52,587                                    | 60,587                   | 6,820         | 1968      | 2004 |
|                | 45,877                      | 20,020            | 30,032                                                 | 1,247                                            | 21,170    | 30,129                                    | 51,299                   | 7,206         | 1964      | 2002 |
|                | 24,054                      | 20,666            | 20,112                                                 | 8,659                                            | 21,818    | 27,619                                    | 49,437                   | 7,509         | 1963      | 2002 |
| ases           | -                           | 71,893            | -                                                      | (26,893)                                         | 45,000    | -                                         | 45,000                   | -             |           | 2007 |
|                | -                           | 16,293            | 24,620                                                 | 2,870                                            | 17,047    | 26,736                                    | 43,783                   | 1,583         |           | 2007 |
| venue          | 17,791                      | 19,017            | 13,184                                                 | 7,901                                            | 19,801    | 20,301                                    | 40,102                   | 5,744         | 1966      | 2002 |
|                | 15,018                      | 10,095            | 17,541                                                 | 9,139                                            | 10,687    | 26,088                                    | 36,775                   | 6,808         | 1963      | 2002 |
|                | -                           | -                 | 33,628                                                 | (305)                                            | -         | 33,323                                    | 33,323                   | 11,478        | 1987      | 2002 |
|                | -                           | 9,450             | 22,062                                                 | 879                                              | 9,455     | 22,936                                    | 32,391                   | 1,954         | 1964      | 2006 |
|                | -                           | -                 | 20,465                                                 | 5,779                                            | -         | 26,244                                    | 26,244                   | 5,790         | 2004      | 2004 |
| Street         | -                           | 11,541            | 178                                                    | 60                                               | 11,597    | 182                                       | 11,779                   | 178           |           | 2007 |
|                | -                           | 4,009             | 6,273                                                  | (3,627)                                          | -         | 6,655                                     | 6,655                    | -             |           | 2005 |
|                | -                           | 1,763             | 641                                                    | 35                                               | 1,763     | 676                                       | 2,439                    | 74            |           | 2005 |
|                | -                           | -                 | 51,767                                                 | (43,590)                                         | -         | 8,177                                     | 8,177                    | -             |           |      |
| DC             | 2,526,106                   | 1,244,157         | 2,768,813                                              | 695,806                                          | 1,216,169 | 3,492,607                                 | 4,708,776                | 640,565       |           |      |
|                | -                           | -                 | -                                                      | 23,213                                           | 1,033     | 22,180                                    | 23,213                   | 12,652        | 1967      | 1987 |

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|                |           |           |           |           |           |           |            |           |                |      |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|----------------|------|
|                | -         | -         | -         | 23,213    | 1,033     | 22,180    | 23,213     | 12,652    |                |      |
| t              | 664,118   | 221,903   | 893,324   | 16,666    | 221,903   | 909,990   | 1,131,893  | 72,468    | 1922/1969/1970 | 2007 |
| gs             | 5,627,110 | 2,890,577 | 6,780,272 | 1,588,121 | 2,862,696 | 8,396,274 | 11,258,970 | 1,550,557 |                |      |
| ly Connection) | 100,000   | 72,996    | 131,510   | 12,421    | 72,996    | 143,931   | 216,927    | 10,282    | 2008           | 2005 |
|                | -         | 3,897     | 31,370    | -         | 3,897     | 31,370    | 35,267     | 3,218     |                | 2006 |
| Cannery)       | 18,013    | 20,100    | 11,923    | (9,194)   | 15,727    | 7,102     | 22,829     | 503       |                | 2007 |
| S. Main St)    | -         | 2,699     | 19,930    | -         | 2,699     | 19,930    | 22,629     | 2,044     |                | 2006 |
|                | -         | -         | 18,337    | 542       | -         | 18,879    | 18,879     | 1,379     |                | 2007 |

# VORNADO REALTY TRUST

## AND SUBSIDIARIES

### SCHEDULE III

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

(Amounts in thousands)

| COLUMN A                   | COLUMN B                    | COLUMN C                                         | COLUMN D                                      | COLUMN E                   | COLUMN F                   | COLUMN G                 | COLUMN H      | COLUMN I |
|----------------------------|-----------------------------|--------------------------------------------------|-----------------------------------------------|----------------------------|----------------------------|--------------------------|---------------|----------|
|                            | Initial cost to company (1) | Gross amount at which carried at close of period |                                               |                            | Accumulated depreciation   | Date of construction (3) | Date acquired |          |
|                            | Encumbrances                | Land and improvements                            | Costs capitalized and subsequent improvements | Buildings and improvements | Buildings and improvements | and amortization         |               |          |
| co (3700 Geary Blvd)       | -                           | 11,857                                           | 4,444                                         | 27                         | 11,857                     | 4,471                    | 16,328        | 462      |
|                            | -                           | 9,652                                            | 2,940                                         | -                          | 9,652                      | 2,940                    | 12,592        | 239      |
| ek (1556 Mount<br>d)       | -                           | 5,909                                            | -                                             | 87                         | 5,908                      | 88                       | 5,996         | -        |
|                            | -                           | 2,900                                            | 2,857                                         | 13                         | 2,900                      | 2,870                    | 5,770         | 233      |
|                            | -                           | 1,725                                            | 1,907                                         | 216                        | 1,725                      | 2,123                    | 3,848         | 210      |
| ino (1522 E. Highland Ave) | -                           | 1,651                                            | 1,810                                         | -                          | 1,651                      | 1,810                    | 3,461         | 245      |
|                            | -                           | -                                                | 3,073                                         | -                          | -                          | 3,073                    | 3,073         | 416      |
|                            | -                           | -                                                | 2,945                                         | -                          | -                          | 2,945                    | 2,945         | 238      |
| ino (648 W. 4th St)        | -                           | 1,597                                            | 1,119                                         | -                          | 1,597                      | 1,119                    | 2,716         | 152      |
|                            | -                           | -                                                | 2,250                                         | -                          | -                          | 2,250                    | 2,250         | 305      |
|                            | -                           | 856                                              | 1,367                                         | -                          | 856                        | 1,367                    | 2,223         | 185      |
| 4 Ranchero Ave)            | -                           | 1,239                                            | 954                                           | -                          | 1,239                      | 954                      | 2,193         | 129      |
| lley                       | -                           | 639                                              | 1,156                                         | -                          | 639                        | 1,156                    | 1,795         | 157      |
|                            | -                           | 518                                              | 1,100                                         | -                          | 518                        | 1,100                    | 1,618         | 149      |
|                            | -                           | 434                                              | 1,173                                         | -                          | 434                        | 1,173                    | 1,607         | 159      |
| Springs                    | -                           | 197                                              | 1,355                                         | -                          | 197                        | 1,355                    | 1,552         | 183      |
|                            | -                           | 206                                              | 1,321                                         | -                          | 206                        | 1,321                    | 1,527         | 179      |
| East Valley Blvd)          | -                           | 1,157                                            | 332                                           | -                          | 1,157                      | 332                      | 1,489         | 45       |
|                            | -                           | 663                                              | 426                                           | -                          | 663                        | 426                      | 1,089         | 58       |
| 0155 Jurupa Road)          | -                           | 251                                              | 783                                           | -                          | 251                        | 783                      | 1,034         | 106      |
| 5571 Mission Blvd)         | -                           | 209                                              | 704                                           | -                          | 209                        | 704                      | 913           | 95       |
| ornia                      | 118,013                     | 141,352                                          | 247,086                                       | 4,112                      | 136,978                    | 255,572                  | 392,550       | 21,371   |
| ut                         | -                           | 667                                              | 4,504                                         | 4,865                      | 667                        | 9,369                    | 10,036        | 4,948    |
|                            | -                           | 2,421                                            | 1,200                                         | 467                        | 2,421                      | 1,667                    | 4,088         | 563      |
| ecticut                    | -                           | 3,088                                            | 5,704                                         | 5,332                      | 3,088                      | 11,036                   | 14,124        | 5,511    |



# VORNADO REALTY TRUST

## AND SUBSIDIARIES

### SCHEDULE III

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

(Amounts in thousands)

| COLUMN A      | COLUMN B                              | COLUMN C              | COLUMN D                   | COLUMN E              | COLUMN F                                         | COLUMN G              | COLUMN H                   | COLUMN I                 |                                                          |               |
|---------------|---------------------------------------|-----------------------|----------------------------|-----------------------|--------------------------------------------------|-----------------------|----------------------------|--------------------------|----------------------------------------------------------|---------------|
| Description   | Initial cost to company (1)           |                       |                            |                       | Gross amount at which carried at close of period |                       |                            |                          | Life on depreciated in last income statement is complete |               |
|               | Costs                                 |                       |                            |                       | Accumulated depreciation and amortization        |                       |                            |                          |                                                          |               |
|               | Buildings and subsequent improvements | Land and improvements | Buildings and improvements | Land and improvements | Buildings and improvements                       | Land and improvements | Buildings and improvements | Land and improvements    |                                                          |               |
|               | Encumbrances                          | Land                  | Improvements               | Land                  | Improvements                                     | Land                  | Improvements               | Date of construction (3) |                                                          | Date acquired |
| Florida       | 22,759                                | 8,000                 | 23,293                     | 12,872                | 8,000                                            | 36,165                | 44,165                     | 3,625                    | 2005                                                     | (4)           |
|               | -                                     | 3,651                 | 2,388                      | 82                    | 3,651                                            | 2,470                 | 6,121                      | 206                      | 2006                                                     | (4)           |
|               | 22,759                                | 11,651                | 25,681                     | 12,954                | 11,651                                           | 38,635                | 50,286                     | 3,831                    |                                                          |               |
|               | -                                     | 2,135                 | 1,064                      | -                     | 2,135                                            | 1,064                 | 3,199                      | 87                       | 2006                                                     | (4)           |
|               | -                                     | -                     | 1,479                      | -                     | -                                                | 1,479                 | 1,479                      | 119                      | 2006                                                     | (4)           |
| and           |                                       |                       |                            |                       |                                                  |                       |                            |                          |                                                          |               |
| lle           | 13,880                                | 3,470                 | 20,599                     | 195                   | 3,470                                            | 20,794                | 24,264                     | 2,502                    | 2005                                                     | (4)           |
| ore (Towson)  | -                                     | 581                   | 3,227                      | 7,880                 | 581                                              | 11,107                | 11,688                     | 3,795                    | 1968                                                     | (4)           |
| olis          | -                                     | -                     | 9,652                      | -                     | -                                                | 9,652                 | 9,652                      | 1,700                    | 2005                                                     | (4)           |
| on            | -                                     | -                     | 5,367                      | -                     | -                                                | 5,367                 | 5,367                      | 436                      | 2006                                                     | (4)           |
| urnie         | -                                     | 462                   | 2,571                      | 528                   | 462                                              | 3,099                 | 3,561                      | 2,535                    | 1958                                                     | (4)           |
| Maryland      | 13,880                                | 4,513                 | 41,416                     | 8,603                 | 4,513                                            | 50,019                | 54,532                     | 10,968                   |                                                          |               |
| chusetts      |                                       |                       |                            |                       |                                                  |                       |                            |                          |                                                          |               |
| ester         | -                                     | 12,844                | 3,794                      | -                     | 12,844                                           | 3,794                 | 16,638                     | 309                      | 2006                                                     | (4)           |
| Field         | -                                     | 2,797                 | 2,471                      | 440                   | 2,797                                            | 2,911                 | 5,708                      | 515                      | 1993                                                     | (4)           |
| ee            | -                                     | 895                   | -                          | -                     | 895                                              | -                     | 895                        | -                        | 1969                                                     | (4)           |
| idge          | -                                     | -                     | -                          | 260                   | -                                                | 260                   | 260                        | 39                       |                                                          |               |
| Massachusetts | -                                     | 16,536                | 6,265                      | 700                   | 16,536                                           | 6,965                 | 23,501                     | 863                      |                                                          |               |
| gan           |                                       |                       |                            |                       |                                                  |                       |                            |                          |                                                          |               |
| lle           | -                                     | 30                    | 6,128                      | 1,462                 | 30                                               | 7,590                 | 7,620                      | 1,351                    | 2005                                                     | (4)           |
| Creek         | -                                     | 1,264                 | 2,144                      | (2,443)               | 264                                              | 701                   | 965                        | 175                      | 2006                                                     | (4)           |
| d             | -                                     | -                     | 133                        | 86                    | -                                                | 219                   | 219                        | 30                       | 2006                                                     | (4)           |
| Michigan      | -                                     | 1,294                 | 8,405                      | (895)                 | 294                                              | 8,510                 | 8,804                      | 1,556                    |                                                          |               |

**Cambridge**

|   |       |   |   |       |   |       |   |  |      |     |
|---|-------|---|---|-------|---|-------|---|--|------|-----|
| - | 6,083 | - | - | 6,083 | - | 6,083 | - |  | 2006 | (4) |
|---|-------|---|---|-------|---|-------|---|--|------|-----|

**Jersey**

|                         |         |        |        |         |        |         |         |        |           |           |     |
|-------------------------|---------|--------|--------|---------|--------|---------|---------|--------|-----------|-----------|-----|
| as (Bergen Town Center) | 261,903 | 19,884 | 81,723 | 324,284 | 31,330 | 394,561 | 425,891 | 19,627 | 1957/2009 | 2003      | (4) |
| Bergen (Tonnel Ave)     | -       | 24,493 | -      | 62,030  | 28,542 | 57,981  | 86,523  | 1,039  | 2009      | 2006      | (4) |
| (Springfield Avenue)    | -       | 19,700 | 45,090 | -       | 19,700 | 45,090  | 64,790  | 2,912  |           | 2007      | (4) |
| utherford               | -       | -      | 36,727 | 17      | -      | 36,744  | 36,744  | 1,786  | 2007      | 2007      | (4) |
| anover I and II         | -       | 2,232  | 18,241 | 10,358  | 2,671  | 28,160  | 30,831  | 11,553 | 1962      | 1962/1998 | (4) |

# VORNADO REALTY TRUST

## AND SUBSIDIARIES

### SCHEDULE III

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

(Amounts in thousands)

| COLUMN A                   | COLUMN B                    | COLUMN C                                         | COLUMN D      | COLUMN E              | COLUMN F                 | COLUMN G     | COLUMN H                 |               |           |      |
|----------------------------|-----------------------------|--------------------------------------------------|---------------|-----------------------|--------------------------|--------------|--------------------------|---------------|-----------|------|
|                            | Initial cost to company (1) | Gross amount at which carried at close of period |               |                       |                          |              |                          |               |           |      |
|                            |                             | Costs                                            |               |                       | Accumulated depreciation |              |                          |               |           |      |
|                            |                             | Buildings and subsequent                         | Buildings and |                       |                          |              |                          |               |           |      |
| n                          | Encumbrances                | Land and improvements                            | acquisition   | Land and improvements | Total (2)                | amortization | Date of construction (3) | Date acquired |           |      |
|                            | -                           | 45                                               | 8,068         | 20,274                | 45                       | 28,342       | 28,387                   | 291           | 2009      | 1998 |
| gton Street)               | 10,320                      | 7,606                                            | 13,125        | 221                   | 7,606                    | 13,346       | 20,952                   | 1,695         |           | 2004 |
|                            | 12,358                      | 2,300                                            | 17,245        | -                     | 2,300                    | 17,245       | 19,545                   | 1,114         |           | 2007 |
|                            | -                           | 1,391                                            | 11,179        | 6,120                 | 1,391                    | 17,299       | 18,690                   | 9,178         | 1968      | 1968 |
|                            | -                           | 1,102                                            | 11,994        | 4,514                 | 1,099                    | 16,511       | 17,610                   | 10,697        | 1957/1999 | 1957 |
|                            | -                           | 7,400                                            | 9,413         | -                     | 7,400                    | 9,413        | 16,813                   | 608           |           | 2007 |
|                            | 7,570                       | -                                                | 16,457        | 16                    | -                        | 16,473       | 16,473                   | 894           |           | 2007 |
| ld                         | -                           | 500                                              | 13,983        | 1,623                 | 500                      | 15,606       | 16,106                   | 9,644         | 1955      | 1989 |
| k II (339-341 Route 18 S.) | -                           | 2,098                                            | 10,949        | 2,646                 | 2,098                    | 13,595       | 15,693                   | 7,207         | 1972      | 1972 |
|                            | -                           | 725                                              | 7,189         | 7,753                 | 1,046                    | 14,621       | 15,667                   | 8,658         | 1971      | 1971 |
|                            | -                           | 1,611                                            | 3,464         | 8,787                 | 1,611                    | 12,251       | 13,862                   | 5,356         | 1973      | 1973 |
| 22 and Morris Ave)         | -                           | 3,025                                            | 7,470         | 2,040                 | 3,025                    | 9,510        | 12,535                   | 4,198         | 1962      | 1962 |
|                            | -                           | 692                                              | 10,219        | 1,266                 | 692                      | 11,485       | 12,177                   | 8,211         | 1963      | 1963 |
|                            | -                           | 4,178                                            | 5,463         | 1,452                 | 4,441                    | 6,652        | 11,093                   | 2,856         | 1994      | 1959 |
| ld                         | -                           | -                                                | 10,044        | 98                    | -                        | 10,142       | 10,142                   | 652           |           | 2007 |
|                            | -                           | 4,653                                            | 4,999         | 277                   | 4,653                    | 5,276        | 9,929                    | 593           |           | 2005 |
|                            | -                           | 5,864                                            | 2,694         | 1,310                 | 4,864                    | 5,004        | 9,868                    | 3,710         | 1964      | 1964 |
|                            | -                           | 559                                              | 6,363         | 2,903                 | 559                      | 9,266        | 9,825                    | 5,171         | 1964      | 1964 |
| 7 N.)                      | -                           | 238                                              | 9,446         | -                     | 238                      | 9,446        | 9,684                    | 2,419         | 1999      | 1975 |
| k I (325-333 Route 18 S.)  | -                           | 319                                              | 6,220         | 2,816                 | 319                      | 9,036        | 9,355                    | 8,232         | 1957      | 1957 |
|                            | -                           | 652                                              | 7,495         | 326                   | 652                      | 7,821        | 8,473                    | 1,937         | 1965      | 1965 |
|                            | -                           | 1,104                                            | 6,411         | 784                   | 1,104                    | 7,195        | 8,299                    | 6,648         | 1961      | 1985 |
|                            | -                           | 283                                              | 5,248         | 1,312                 | 283                      | 6,560        | 6,843                    | 4,612         | 1963      | 1963 |
|                            | -                           | 1,509                                            | 2,675         | 1,771                 | 1,539                    | 4,416        | 5,955                    | 2,166         | 1959      | 1959 |
|                            | -                           | 756                                              | 4,468         | 544                   | 756                      | 5,012        | 5,768                    | 4,702         | 1972      | 1972 |
|                            | -                           | 851                                              | 3,164         | 1,374                 | 851                      | 4,538        | 5,389                    | 3,577         | 1969      | 1969 |
|                            | -                           | 309                                              | 3,376         | 1,151                 | 309                      | 4,527        | 4,836                    | 2,859         | 1938      | 1959 |
|                            | -                           | 498                                              | 3,176         | 1,073                 | 713                      | 4,034        | 4,747                    | 4,001         | 1958      | 1958 |
|                            | -                           | 900                                              | 1,342         | 856                   | 900                      | 2,198        | 3,098                    | 2,057         | 1974      | 1974 |

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|                    |         |         |         |         |         |         |         |         |      |      |
|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|------|------|
| (Kennedy Blvd)     | -       | 2,308   | 636     | 34      | 2,308   | 670     | 2,978   | 354     | 1993 | 1959 |
|                    | -       | 66      | 419     | 381     | 66      | 800     | 866     | 644     | 1972 | 1972 |
| sey                | 292,151 | 119,851 | 406,175 | 470,411 | 135,611 | 860,826 | 996,437 | 161,858 |      |      |
| (Green Acres Mall) | 335,000 | 147,172 | 134,980 | 44,801  | 146,969 | 179,984 | 326,953 | 39,500  | 1956 | 1997 |
| ner Blvd)          | -       | 66,100  | 259,503 | 363     | 66,100  | 259,866 | 325,966 | 19,471  |      | 2007 |
| oadway Mall)       | 92,601  | 126,324 | 48,904  | 2,822   | 126,324 | 51,726  | 178,050 | 5,124   |      | 2005 |
|                    | -       | 12,733  | 12,026  | 34,340  | 10,083  | 49,016  | 59,099  | 1,549   | 2009 | 2005 |
|                    | 15,595  | 21,200  | 33,667  | 44      | 21,200  | 33,711  | 54,911  | 1,830   |      | 2007 |
|                    | 29,703  | 22,700  | 26,700  | -       | 22,700  | 26,700  | 49,400  | 1,415   |      | 2007 |
| ill Road)          | -       | 6,427   | 11,885  | 15,504  | 4,485   | 29,331  | 33,816  | 693     | 2009 | 2005 |
|                    | 17,400  | 11,446  | 21,262  | 324     | 11,446  | 21,586  | 33,032  | 3,246   |      | 2004 |
|                    | -       | 12,419  | 19,097  | 561     | 12,419  | 19,658  | 32,077  | 2,438   |      | 2004 |
| Queens Blvd)       | -       | 7,839   | 20,392  | 1,764   | 7,839   | 22,156  | 29,995  | 3,038   |      | 2004 |
|                    | 6,550   | 6,720   | 13,786  | 69      | 6,720   | 13,855  | 20,575  | 969     |      | 2007 |

# VORNADO REALTY TRUST

## AND SUBSIDIARIES

### SCHEDULE III

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

(Amounts in thousands)

| COLUMN A             | COLUMN B                    | COLUMN C             | COLUMN D    | COLUMN E         | COLUMN F                                         | COLUMN G     | COLUMN H         |         |           |
|----------------------|-----------------------------|----------------------|-------------|------------------|--------------------------------------------------|--------------|------------------|---------|-----------|
|                      | Initial cost to company (1) |                      |             |                  | Gross amount at which carried at close of period |              |                  |         |           |
|                      |                             | Costs                |             |                  |                                                  | Accumulated  |                  |         |           |
|                      |                             | Buildingscapitalized |             |                  | Buildings                                        | depreciation |                  |         |           |
|                      |                             | and subsequent       |             |                  | and                                              | and          |                  | Date of | Date      |
| n                    | Encumbrance                 | Landimprovements     | acquisition | Landimprovements | Total (2)                                        | mortization  | construction (3) |         | acquired  |
| (E. Sunrise Highway) | -                           | 1,231                | 4,747       | 1,518            | 1,231                                            | 6,265        | 7,496            | 4,569   | 1981      |
|                      | -                           | -                    | 7,116       | -                | -                                                | 7,116        | 7,116            | 561     | 2006      |
| erst)                | -                           | 636                  | 4,056       | 381              | -                                                | 5,073        | 5,073            | 4,408   | 1968      |
|                      | -                           | 2,710                | 2,306       | -                | 2,710                                            | 2,306        | 5,016            | 149     | 2007      |
| ands)                | -                           | 460                  | 2,091       | 2,333            | 460                                              | 4,424        | 4,884            | 3,233   | 1965      |
| enrietta)            | -                           | -                    | 2,647       | 1,096            | -                                                | 3,743        | 3,743            | 3,206   | 1971      |
|                      | -                           | 2,172                | -           | -                | 2,172                                            | -            | 2,172            | -       | 1966      |
| (Sunrise Highway)    | -                           | -                    | -           | 260              | -                                                | 260          | 260              | 39      | 2005      |
|                      | -                           | -                    | 43          | -                | -                                                | 43           | 43               | 2       | 2006      |
| rk                   | -                           | -                    | 4           | -                | -                                                | 4            | 4                | 126     | 1970      |
|                      | -                           | 105,914              | 214,208     | 6,154            | 105,914                                          | 220,362      | 326,276          | 4,985   | 2006      |
| all                  | 72,639                      | 88,595               | 113,473     | 74,914           | 88,595                                           | 188,387      | 276,982          | 10,110  | 2009      |
| son Avenue           | 80,000                      | 107,937              | 28,261      | 10               | 107,937                                          | 28,271       | 136,208          | 3,297   | 2005      |
| re South             | 75,000                      | 24,079               | 55,220      | 373              | 24,079                                           | 55,593       | 79,672           | 7,874   | 1965/2004 |
| dway                 | -                           | 20,000               | 13,375      | 27,721           | 20,000                                           | 41,096       | 61,096           | 1,345   | 2009      |
| treet                | -                           | 13,616               | 34,635      | 9                | 13,616                                           | 34,644       | 48,260           | 3,398   | 2005      |
| reet                 | -                           | 29,169               | 17,878      | 341              | 29,169                                           | 18,219       | 47,388           | 2,694   | 2004      |
| reet                 | -                           | 13,700               | 30,544      | 565              | 13,700                                           | 31,109       | 44,809           | 2,103   | 2007      |
| ue                   | 52,000                      | 19,893               | 19,091      | 37               | 19,893                                           | 19,128       | 39,021           | 3,542   | 2002      |
| y                    | -                           | 6,053                | 22,908      | 794              | 6,053                                            | 23,702       | 29,755           | 2,587   | 2005      |
| a Avenue             | -                           | -                    | 26,903      | -                | -                                                | 26,903       | 26,903           | 3,104   | 1923      |
| mbus Avenue          | -                           | 18,907               | 7,316       | 385              | 18,907                                           | 7,701        | 26,608           | 841     | 2005      |
| son Avenue           | -                           | 13,070               | 9,640       | 360              | 13,070                                           | 10,000       | 23,070           | 869     | 2006      |
| ue                   | -                           | 16,700               | 2,751       | -                | 16,700                                           | 2,751        | 19,451           | 189     | 2007      |
| dway                 | -                           | 10,000               | 6,688       | 2,152            | 8,524                                            | 10,316       | 18,840           | 336     | 2009      |
| venue                | -                           | 7,844                | 7,844       | -                | 7,844                                            | 7,844        | 15,688           | 2,353   | 1997      |
| adway                | -                           | 5,858                | 7,662       | 364              | 5,858                                            | 8,026        | 13,884           | 1,148   | 2004      |
| reet                 | -                           | 3,200                | 8,112       | 89               | 3,200                                            | 8,201        | 11,401           | 321     | 2008      |

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|       |         |         |           |         |         |           |           |         |           |      |
|-------|---------|---------|-----------|---------|---------|-----------|-----------|---------|-----------|------|
| reet  | -       | 3,200   | 5,822     | 133     | 3,200   | 5,955     | 9,155     | 236     |           | 2008 |
| adway | 4,361   | 2,624   | 6,160     | -       | 2,624   | 6,160     | 8,784     | 783     |           | 2004 |
| ue    | -       | 10,650  | 1,767     | (4,728) | 6,859   | 830       | 7,689     | 46      |           | 2007 |
| ue    | -       | 3,856   | 762       | -       | 3,856   | 762       | 4,618     | 245     |           | 1997 |
| ue    | -       | 1,483   | 697       | -       | 1,483   | 697       | 2,180     | 225     |           | 1997 |
| rk    | 780,849 | 974,637 | 1,266,929 | 215,853 | 963,939 | 1,493,480 | 2,457,419 | 148,197 |           |      |
|       | 20,957  | 6,053   | 26,646    | 185     | 6,053   | 26,831    | 32,884    | 1,396   |           | 2007 |
|       | -       | 933     | 23,650    | 6,099   | 933     | 29,749    | 30,682    | 6,989   | 1977      | 1994 |
|       | -       | 334     | 15,580    | 279     | 334     | 15,859    | 16,193    | 10,780  | 1957      | 1957 |
|       | -       | 2,727   | 6,698     | 1,898   | 2,727   | 8,596     | 11,323    | 2,600   | 1972/1999 | 1972 |
|       | -       | 827     | 5,200     | 498     | 839     | 5,686     | 6,525     | 5,679   | 1966      | 1966 |
|       | -       | -       | 2,646     | 2,265   | -       | 4,911     | 4,911     | 1,862   |           | 2005 |
|       | -       | 409     | 2,568     | 1,773   | 409     | 4,341     | 4,750     | 3,261   | 1970      | 1970 |
|       | -       | 850     | 2,171     | 814     | 850     | 2,985     | 3,835     | 2,813   | 1966      | 1966 |

# VORNADO REALTY TRUST

## AND SUBSIDIARIES

### SCHEDULE III

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

(Amounts in thousands)

| COLUMN A         | COLUMN B                             | COLUMN C          | COLUMN D                   | COLUMN E          | COLUMN F                                         | COLUMN G    | COLUMN H                 |        |         |          |
|------------------|--------------------------------------|-------------------|----------------------------|-------------------|--------------------------------------------------|-------------|--------------------------|--------|---------|----------|
|                  | Initial cost to company (1)          |                   |                            |                   | Gross amount at which carried at close of period |             |                          |        |         |          |
|                  | Costs                                |                   |                            |                   |                                                  |             | Accumulated depreciation |        |         |          |
|                  | Buildings capitalized and subsequent |                   |                            |                   | Buildings and                                    |             | depreciation and         |        | Date of | Date     |
| n                | Encumbrances                         | Land improvements | and subsequent acquisition | Land improvements | Total (2)                                        | mortization | construction (3)         |        |         | acquired |
|                  | -                                    | 3,140             | 63                         | 534               | 3,140                                            | 597         | 3,737                    | 417    | 1966    | 1966     |
| and              | -                                    | 683               | 1,868                      | 900               | 683                                              | 2,768       | 3,451                    | 2,550  | 1974    | 1974     |
|                  | -                                    | 850               | 1,820                      | 471               | 850                                              | 2,291       | 3,141                    | 1,731  | 1975    | 1975     |
|                  | -                                    | 183               | 1,008                      | 408               | 183                                              | 1,416       | 1,599                    | 1,368  | 1964    | 1964     |
|                  | -                                    | -                 | -                          | 210               | -                                                | 210         | 210                      | -      |         | 2005     |
| vania            | 20,957                               | 16,989            | 89,918                     | 16,334            | 17,001                                           | 106,240     | 123,241                  | 41,446 |         |          |
| na               | -                                    | -                 | 3,634                      | -                 | -                                                | 3,634       | 3,634                    | 296    |         | 2006     |
|                  | -                                    | 1,521             | 2,386                      | -                 | 1,521                                            | 2,386       | 3,907                    | 195    |         | 2006     |
|                  | -                                    | -                 | 458                        | 34                | -                                                | 492         | 492                      | 40     |         | 2006     |
|                  | -                                    | 1,714             | 2,431                      | (2,200)           | 714                                              | 1,231       | 1,945                    | 163    |         | 2007     |
| pringfield Mall) | 242,583                              | 35,168            | 265,964                    | 25,969            | 35,172                                           | 291,929     | 327,101                  | 27,680 |         | 2006     |
|                  | -                                    | -                 | 3,927                      | 15                | -                                                | 3,942       | 3,942                    | 1,883  |         | 2005     |
|                  | 242,583                              | 35,168            | 269,891                    | 25,984            | 35,172                                           | 295,871     | 331,043                  | 29,563 |         |          |
|                  | -                                    | 1,831             | 2,136                      | (1,970)           | 922                                              | 1,075       | 1,997                    | 72     |         | 2005     |
| DC               | -                                    | 7,830             | 27,490                     | 45                | 7,830                                            | 27,535      | 35,365                   | 2,706  |         | 2006     |

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|            |           |           |           |         |           |           |           |         |      |      |
|------------|-----------|-----------|-----------|---------|-----------|-----------|-----------|---------|------|------|
|            | -         | -         | 174       | 99      | -         | 273       | 273       | 36      |      | 2006 |
|            | 59,305    | 15,280    | 64,370    | 7,754   | 15,279    | 72,125    | 87,404    | 20,292  | 1996 | 2002 |
|            | 120,000   | 9,182     | 66,751    | 3,437   | 9,267     | 70,103    | 79,370    | 22,526  | 1996 | 1997 |
| Rico       | 179,305   | 24,462    | 131,121   | 11,191  | 24,546    | 142,228   | 166,774   | 42,818  |      |      |
| properties | 1,670,497 | 1,370,655 | 2,539,843 | 766,587 | 1,368,534 | 3,308,551 | 4,677,085 | 471,696 |      |      |

# VORNADO REALTY TRUST

## AND SUBSIDIARIES

### SCHEDULE III

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

(Amounts in thousands)

| COLUMN A        | COLUMN B                    | COLUMN C | COLUMN D                                     | COLUMN E  |                                                  | COLUMN F     | COLUMN G                                  | COLUMN H                 | COLUMN I            |
|-----------------|-----------------------------|----------|----------------------------------------------|-----------|--------------------------------------------------|--------------|-------------------------------------------|--------------------------|---------------------|
| Properties      | Initial cost to company (1) |          |                                              |           | Gross amount at which carried at close of period |              | Accumulated depreciation and amortization | Date of construction (3) | Date of acquisition |
|                 | Encumbrances                | Land     | Costs capitalized and subsequent acquisition |           | Land                                             | improvements |                                           |                          |                     |
|                 |                             |          | Buildings and improvements                   | Total (2) |                                                  |              |                                           |                          |                     |
|                 |                             |          |                                              |           |                                                  |              |                                           |                          |                     |
| Chicago         | 550,000                     | 64,528   | 319,146                                      | 163,938   | 64,535                                           | 483,077      | 547,612                                   | 132,195                  | 1930                |
| Chicago         | -                           | 14,238   | 67,008                                       | 73,124    | 14,246                                           | 140,124      | 154,370                                   | 36,475                   | 1977                |
| go              | -                           | 5,166    | -                                            | -         | 5,166                                            | -            | 5,166                                     | -                        |                     |
|                 | 550,000                     | 83,932   | 386,154                                      | 237,062   | 83,947                                           | 623,201      | 707,148                                   | 168,670                  |                     |
| Center          | 44,247                      | 12,274   | 40,662                                       | 13,845    | 12,274                                           | 54,507       | 66,781                                    | 15,648                   | 1919                |
| ex, High Point  | 217,814                     | 13,038   | 102,239                                      | 76,400    | 15,047                                           | 176,630      | 191,677                                   | 43,983                   | 1902/1989           |
|                 | -                           | 34,614   | 94,167                                       | 35,975    | 34,614                                           | 130,142      | 164,756                                   | 27,106                   | 2001                |
|                 | -                           | -        | -                                            | 7,971     | -                                                | 7,971        | 7,971                                     | 48                       | 2001                |
|                 | -                           | 34,614   | 94,167                                       | 43,946    | 34,614                                           | 138,113      | 172,727                                   | 27,154                   |                     |
|                 | 69,667                      | -        | 93,915                                       | 6,544     | -                                                | 100,459      | 100,459                                   | 10,634                   | 1918                |
| rt, Los Angeles | -                           | 10,141   | 43,422                                       | 23,185    | 10,141                                           | 66,607       | 76,748                                    | 15,925                   | 1958                |
| art, Cleveland  | -                           | -        | -                                            | 1,851     | -                                                | 1,851        | 1,851                                     | -                        | 2001                |
| art             | 881,728                     | 153,999  | 760,559                                      | 402,833   | 156,023                                          | 1,161,368    | 1,317,391                                 | 282,014                  |                     |

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|         |           |           |            |           |           |            |            |           |      |    |
|---------|-----------|-----------|------------|-----------|-----------|------------|------------|-----------|------|----|
|         | 24,813    | 576       | 7,752      | 7,718     | 691       | 15,355     | 16,046     | 14,883    | 1972 | 19 |
|         | -         | -         | -          | 4,967     | 704       | 4,263      | 4,967      | 4,196     | 1962 | 19 |
| ustrial | 24,813    | 576       | 7,752      | 12,685    | 1,395     | 19,618     | 21,013     | 19,079    |      |    |
|         | -         | 29,903    | 121,712    | 69,338    | 29,904    | 191,049    | 220,953    | 69,060    | 1919 | 19 |
| h       | 123,750   | 115,720   | 16,420     | 64,296    | 115,720   | 80,716     | 196,436    | 17,436    |      | 20 |
|         | 95,468    | 28,052    | -          | 50,825    | 51,388    | 27,489     | 78,877     | 11,834    |      | 20 |
| ial     | -         | 29,199    | 85,798     | (68,075)  | 18,193    | 28,729     | 46,922     | 2,531     |      | 20 |
|         | -         | 1,462     | 1,058      | 1,294     | 2,212     | 1,602      | 3,814      | 127       |      | 20 |
| s       | 219,218   | 204,336   | 224,988    | 117,678   | 217,417   | 329,585    | 547,002    | 100,988   |      |    |
| ents    | -         | -         | -          | 128,056   | -         | 128,056    | 128,056    | 70,107    |      |    |
| 2009    | 8,423,366 | 4,620,143 | 10,313,414 | 3,015,960 | 4,606,065 | 13,343,452 | 17,949,517 | 2,494,441 |      |    |

# **vornado Realty trust**

## **AND SUBSIDIARIES**

### **SCHEDULE III**

#### **REAL ESTATE AND ACCUMULATED DEPRECIATION**

Notes:

(1) Initial cost is cost as of January 30, 1982 (the date on which Vornado commenced real estate operations) unless acquired subsequent to that date see Column H.

(2) The net basis of the Company's assets and liabilities for tax purposes is approximately \$3.1 billion lower than the amount reported for financial statement purposes.

(3) Date of original construction many properties have had substantial renovation or additional construction see Column D.

(4) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to forty years.

**VORNADO REALTY TRUST****AND SUBSIDIARIES****SCHEDULE III****REAL ESTATE AND ACCUMULATED DEPRECIATION****(amounts in thousands)**

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

|                                                               | <b>Year Ended December 31,</b> |               |               |
|---------------------------------------------------------------|--------------------------------|---------------|---------------|
|                                                               | <b>2009</b>                    | <b>2008</b>   | <b>2007</b>   |
| <b>Real Estate</b>                                            |                                |               |               |
| Balance at beginning of period                                | \$ 17,819,679                  | \$ 17,029,965 | \$ 11,512,518 |
| Additions during the period:                                  |                                |               |               |
| Land                                                          |                                | 95,980        | 1,956,602     |
| Buildings & improvements                                      | 601,136                        | 1,087,944     | 3,617,881     |
|                                                               | 18,420,815                     | 18,213,889    | 17,087,001    |
| Less: Assets sold and written-off                             | 471,298                        | 394,210       | 57,036        |
| Balance at end of period                                      | \$ 17,949,517                  | \$ 17,819,679 | \$ 17,029,965 |
| <b>Accumulated Depreciation</b>                               |                                |               |               |
| Balance at beginning of period                                | \$ 2,167,403                   | \$ 1,809,048  | \$ 1,446,588  |
| Additions charged to operating expenses                       | 433,785                        | 407,753       | 445,150       |
| Additions due to acquisitions                                 |                                |               | 20,817        |
|                                                               | 2,601,188                      | 2,216,801     | 1,912,555     |
| Less: Accumulated depreciation on assets sold and written-off | 106,747                        | 49,398        | 103,507       |
| Balance at end of period                                      | \$ 2,494,441                   | \$ 2,167,403  | \$ 1,809,048  |

# EXHIBIT INDEX

## Exhibit No.

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

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- |      |                                                                                                                                                                                                                                     |   |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 3.12 | - Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 -<br>Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on<br>Form 8-K (File No. 001-11954), filed on October 25, 1999 | * |
| 3.13 | - Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 -<br>Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on<br>Form 8-K (File No. 001-11954), filed on October 25, 1999 | * |

\* \_\_\_\_\_  
Incorporated by reference.

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

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- 3.26 - Twenty-Third Amendment to the Partnership Agreement, dated May 27, 2004 Incorporated \*
- by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K
- (File No. 001-11954), filed on June 14, 2004
- 3.27 - Twenty-Fourth Amendment to the Partnership Agreement, dated August 17, 2004 \*
- Incorporated by reference to Exhibit 3.57 to Vornado Realty Trust and Vornado Realty
- L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on
- January 26, 2005

\* \_\_\_\_\_

Incorporated by reference.

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- |      |                                                                                                                                                                                                                                                                                                                                                       |   |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 3.28 | <ul style="list-style-type: none"> <li>- Twenty-Fifth Amendment to the Partnership Agreement, dated November 17, 2004<br/>Incorporated by reference to Exhibit 3.58 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005</li> </ul>                                  | * |
| 3.29 | <ul style="list-style-type: none"> <li>- Twenty-Sixth Amendment to the Partnership Agreement, dated December 17, 2004<br/>Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004</li> </ul>                                                                    | * |
| 3.30 | <ul style="list-style-type: none"> <li>- Twenty-Seventh Amendment to the Partnership Agreement, dated December 20, 2004<br/>Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004</li> </ul>                                                                  | * |
| 3.31 | <ul style="list-style-type: none"> <li>- Twenty-Eighth Amendment to the Partnership Agreement, dated December 30, 2004 -<br/>Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on January 4, 2005</li> </ul>                                                                   | * |
| 3.32 | <ul style="list-style-type: none"> <li>- Twenty-Ninth Amendment to the Partnership Agreement, dated June 17, 2005 - Incorporated<br/>by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K<br/>(File No. 000-22685), filed on June 21, 2005</li> </ul>                                                                      | * |
| 3.33 | <ul style="list-style-type: none"> <li>- Thirtieth Amendment to the Partnership Agreement, dated August 31, 2005 - Incorporated by<br/>reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K<br/>(File No. 000-22685), filed on September 1, 2005</li> </ul>                                                                   | * |
| 3.34 | <ul style="list-style-type: none"> <li>- Thirty-First Amendment to the Partnership Agreement, dated September 9, 2005 -<br/>Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on<br/>Form 8-K (File No. 000-22685), filed on September 14, 2005</li> </ul>                                                             | * |
| 3.35 | <ul style="list-style-type: none"> <li>- Thirty-Second Amendment and Restated Agreement of Limited Partnership, dated as of<br/>December 19, 2005 Incorporated by reference to Exhibit 3.59 to Vornado Realty L.P.'s<br/>Quarterly Report on Form 10-Q for the quarter ended March 31, 2006<br/>(File No. 000-22685), filed on May 8, 2006</li> </ul> | * |
| 3.36 | <ul style="list-style-type: none"> <li>- Thirty-Third Amendment to Second Amended and Restated Agreement of Limited<br/>Partnership, dated as of April 25, 2006 Incorporated by reference to Exhibit 10.2 to<br/>Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006</li> </ul>                                                | * |
| 3.37 | <ul style="list-style-type: none"> <li>- Thirty-Fourth Amendment to Second Amended and Restated Agreement of Limited<br/>Partnership, dated as of May 2, 2006 Incorporated by reference to Exhibit 3.1 to<br/>Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on<br/>May 3, 2006</li> </ul>                              | * |
| 3.38 | <ul style="list-style-type: none"> <li>- Thirty-Fifth Amendment to Second Amended and Restated Agreement of Limited<br/>Partnership, dated as of August 17, 2006 Incorporated by reference to Exhibit 3.1 to<br/>Vornado Realty L.P.'s Form 8-K (File No. 000-22685), filed on August 23, 2006</li> </ul>                                             | * |
| 3.39 | <ul style="list-style-type: none"> <li>- Thirty-Sixth Amendment to Second Amended and Restated Agreement of Limited<br/>Partnership, dated as of October 2, 2006 Incorporated by reference to Exhibit 3.1 to</li> </ul>                                                                                                                               | * |

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Vornado Realty L.P.'s Form 8-K (File No. 000-22685), filed on January 22, 2007

- 3.40 - Thirty-Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007 \*

\* \_\_\_\_\_  
Incorporated by reference.

- |                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                          |   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 3.41                                                                                                                                                                                                                                                                                                                                                 | - Thirty-Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007                                           | * |
| 3.42                                                                                                                                                                                                                                                                                                                                                 | - Thirty-Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 Incorporated by reference to Exhibit 3.3 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007                                            | * |
| 3.43                                                                                                                                                                                                                                                                                                                                                 | - Fortieth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 Incorporated by reference to Exhibit 3.4 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007                                                | * |
| 3.44                                                                                                                                                                                                                                                                                                                                                 | - Forty-First Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of March 31, 2008 Incorporated by reference to Exhibit 3.44 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (file No. 001-11954), filed on May 6, 2008    | * |
| 4.1                                                                                                                                                                                                                                                                                                                                                  | - Indenture, dated as of June 24, 2002, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 24, 2002                                                     | * |
| 4.2                                                                                                                                                                                                                                                                                                                                                  | - Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-11954), filed on April 28, 2005       | * |
| 4.3                                                                                                                                                                                                                                                                                                                                                  | - Indenture, dated as of November 20, 2006, among Vornado Realty Trust, as Issuer, Vornado Realty L.P., as Guarantor and The Bank of New York, as Trustee Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 27, 2006 | * |
| <p><i>Certain instruments defining the rights of holders of long-term debt securities of Vornado Realty Trust and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Vornado Realty Trust hereby undertakes to furnish to the Securities and Exchange Commission, upon request, copies of any such instruments.</i></p> |                                                                                                                                                                                                                                                                                                          |   |
| 10.1                                                                                                                                                                                                                                                                                                                                                 | - Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 - Incorporated by reference to Vornado, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992                                   | * |
| 10.2                                                                                                                                                                                                                                                                                                                                                 | - Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993                                       | * |

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- 10.3        -    Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 -        \*
- Incorporated by reference to Vornado, Inc. s Annual Report on Form 10-K for the year
- ended December 31, 1992 (File No. 001-11954), filed February 16, 1993
- 10.4        -    Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992        \*
- Incorporated by reference to Vornado, Inc. s Annual Report on Form 10-K for the year
- ended December 31, 1992 (File No. 001-11954), filed February 16, 1993

\*                \_\_\_\_\_

                 Incorporated by reference.

\*\*              Management contract or compensatory agreement.

- |       |    |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |   |
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| 10.5  | ** | - | Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum - Incorporated by reference to Exhibit 10.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997                                                                                                                                                                             | * |
| 10.6  |    | - | Consolidated and Restated Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of March 1, 2000, between Entities named therein (as Mortgagors) and Vornado (as Mortgagee) - Incorporated by reference to Exhibit 10.47 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000                                                             | * |
| 10.7  | ** | - | Promissory Note from Steven Roth to Vornado Realty Trust, dated December 23, 2005 Incorporated by reference to Exhibit 10.15 to Vornado Realty Trust Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-11954), filed on February 28, 2006                                                                                                                                                                                           | * |
| 10.8  | ** | - | Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust - Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000                                                                                                                                                                                     | * |
| 10.9  |    | - | Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado Realty Trust, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - Incorporated by reference to Exhibit 2.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002 | * |
| 10.10 |    | - | Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002                                                                                                                | * |
| 10.11 | ** | - | Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 10.7 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 001-11954), filed on May 1, 2002                                                                                                                                                                            | * |
| 10.12 | ** | - | First Amendment, dated October 31, 2002, to the Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.6 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002                                                                                                                                                                                             | * |
| 10.13 |    | - | Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(E)(3) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002                                                                                                                                                    | * |

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- 10.14 - 59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty L.P., 731 Residential LLC and 731 Commercial LLC - Incorporated by reference to Exhibit 10(i)(E)(4) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 \*
- 10.15 - Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(1) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 \*

\* Incorporated by reference.

\*\* Management contract or compensatory agreement.

|       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |   |
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| 10.16 | -  | 59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Residential LLC, 731 Commercial LLC and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(2) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002                                                                                                                                                                                       | * |
| 10.17 | -  | Amendment dated May 29, 2002, to the Stock Pledge Agreement between Vornado Realty Trust and Steven Roth dated December 29, 1992 - Incorporated by reference to Exhibit 5 of Interstate Properties' Schedule 13D/A dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002                                                                                                                                                                                                                                                 | * |
| 10.18 | ** | Vornado Realty Trust's 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-102216) filed December 26, 2002                                                                                                                                                                                                                                                                                                                              | * |
| 10.19 | ** | Form of Stock Option Agreement between the Company and certain employees Incorporated by reference to Exhibit 10.77 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005                                                                                                                                                                                                                                                                    | * |
| 10.20 | ** | Form of Restricted Stock Agreement between the Company and certain employees Incorporated by reference to Exhibit 10.78 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005                                                                                                                                                                                                                                                                | * |
| 10.21 | ** | Amendment, dated March 17, 2006, to the Vornado Realty Trust Omnibus Share Plan Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 001-11954), filed on May 2, 2006                                                                                                                                                                                                                                                                | * |
| 10.22 | ** | Form of Vornado Realty Trust 2006 Out-Performance Plan Award Agreement, dated as of April 25, 2006 Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006                                                                                                                                                                                                                                                                                                        | * |
| 10.23 | ** | Form of Vornado Realty Trust 2002 Restricted LTIP Unit Agreement Incorporated by reference to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006                                                                                                                                                                                                                                                                                                                                                          | * |
| 10.24 | -  | Revolving Credit Agreement, dated as of June 28, 2006, among the Operating Partnership, the banks party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Citicorp North America, Inc., as Syndication Agents, Deutsche Bank Trust Company Americas, Lasalle Bank National Association, and UBS Loan Finance LLC, as Documentation Agents and Vornado Realty Trust Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on June 28, 2006 | * |

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|-------|----|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 10.25 | ** | - | Amendment No.2, dated May 18, 2006, to the Vornado Realty Trust Omnibus Share Plan<br>Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust's Quarterly<br>Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed<br>on August 1, 2006                           | * |
| 10.26 | ** | - | Amended and Restated Employment Agreement between Vornado Realty Trust and Joseph<br>Macnow dated July 27, 2006 Incorporated by reference to Exhibit 10.54 to Vornado<br>Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006<br>(File No. 001-11954), filed on August 1, 2006 | * |
|       | *  |   | _____<br>Incorporated by reference.                                                                                                                                                                                                                                                                        |   |
|       | ** |   | Management contract or compensatory agreement.                                                                                                                                                                                                                                                             |   |

- |       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |   |
|-------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 10.27 | -  | Guaranty, made as of June 28, 2006, by Vornado Realty Trust, for the benefit of JP Morgan Chase Bank. Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006                                                                                                                                                                                                                                                                                                                                                                      | * |
| 10.28 | ** | Amendment, dated October 26, 2006, to the Vornado Realty Trust Omnibus Share Plan. Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006                                                                                                                                                                                                                                                                                                                                                                                         | * |
| 10.29 | ** | Amendment to Real Estate Retention Agreement, dated January 1, 2007, by and between Vornado Realty L.P. and Alexander's Inc.. Incorporated by reference to Exhibit 10.55 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007                                                                                                                                                                                                                                                                                                                                                    | * |
| 10.30 | ** | Amendment to 59 <sup>th</sup> Street Real Estate Retention Agreement, dated January 1, 2007, by and among Vornado Realty L.P., 731 Retail One LLC, 731 Restaurant LLC, 731 Office One LLC and 731 Office Two LLC. Incorporated by reference to Exhibit 10.56 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007                                                                                                                                                                                                                                                                | * |
| 10.31 | ** | Employment Agreement between Vornado Realty Trust and Mitchell Shear, as of April 19, 2007. Incorporated by reference to Exhibit 10.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-11954), filed on May 1, 2007                                                                                                                                                                                                                                                                                                                                                                                         | * |
| 10.32 | -  | Revolving Credit Agreement, dated as of September 28, 2007, among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks signatory thereto, each as a Bank, JPMorgan Chase Bank, N.A. as Administrative Agent, Bank of America, N.A. as Syndication Agent, Citicorp North America, Inc., Deutsche Bank Trust Company Americas, and UBS Loan Finance LLC as Documentation Agents, and J.P. Morgan Securities Inc. and Bank of America Securities LLC as Lead Arrangers and Bookrunners.<br>- Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 4, 2007 | * |
| 10.33 | -  | Second Amendment to Revolving Credit Agreement, dated as of September 28, 2007, by and among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks listed on the signature pages thereof, and J.P. Morgan Chase Bank N.A., as Administrative Agent for the Banks - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 4, 2007                                                                                                                                                                                                                         | * |
| 10.34 | ** | Form of Vornado Realty Trust 2002 Omnibus Share Plan Non-Employee Trustee Restricted LTIP Unit Agreement. Incorporated by reference to Exhibit 10.45 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2007 (File No.                                                                                                                                                                                                                                                                                                                                                                                                               | * |

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001-11954) filed on February 26, 2008

- 10.35    \*\*    -    Form of Vornado Realty Trust 2008 Out-Performance Plan Award Agreement    Incorporated    \*
- by reference to Exhibit 10.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q
- for the quarter ended March 31, 2008 (File No. 001-11954) filed on May 6, 2008
- 10.36    \*\*    -    Amendment to Employment Agreement between Vornado Realty Trust and Michael D.    \*
- Fascitelli, dated December 29, 2008. Incorporated by reference to Exhibit 10.47 to
- Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31,
- 2008 (File No. 001-11954) filed on February 24, 2009
- \_\_\_\_\_
- \*    Incorporated by reference.
- \*\*    Management contract or compensatory agreement.

|       |    |   |                                                                                                                                                                                                                                                                                                           |   |
|-------|----|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 10.37 | ** | - | Amendment to Employment Agreement between Vornado Realty Trust and Joseph Macnow, dated December 29, 2008. Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009           | * |
| 10.38 | ** | - | Amendment to Employment Agreement between Vornado Realty Trust and David R. Greenbaum, dated December 29, 2008. Incorporated by reference to Exhibit 10.49 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009      | * |
| 10.39 | ** | - | Amendment to Indemnification Agreement between Vornado Realty Trust and David R. Greenbaum, dated December 29, 2008. Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 | * |
| 10.40 | ** | - | Amendment to Employment Agreement between Vornado Realty Trust and Mitchell N. Schear, dated December 29, 2008. Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009      | * |
| 10.41 | ** | - | Amendment to Employment Agreement between Vornado Realty Trust and Christopher G. Kennedy, dated December 29, 2008. Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009  | * |
| 12.1  |    | - | Computation of Ratios                                                                                                                                                                                                                                                                                     |   |
| 21    |    | - | Subsidiaries of the Registrant                                                                                                                                                                                                                                                                            |   |
| 23    |    | - | Consent of Independent Registered Public Accounting Firm                                                                                                                                                                                                                                                  |   |
| 31.1  |    | - | Rule 13a-14 (a) Certification of the Chief Executive Officer                                                                                                                                                                                                                                              |   |
| 31.2  |    | - | Rule 13a-14 (a) Certification of the Chief Financial Officer                                                                                                                                                                                                                                              |   |
| 32.1  |    | - | Section 1350 Certification of the Chief Executive Officer                                                                                                                                                                                                                                                 |   |
| 32.2  |    | - | Section 1350 Certification of the Chief Financial Officer                                                                                                                                                                                                                                                 |   |
|       | *  |   | Incorporated by reference.                                                                                                                                                                                                                                                                                |   |
|       | ** |   | Management contract or compensatory agreement.                                                                                                                                                                                                                                                            |   |

