

VORNADO REALTY TRUST
Form 424B5
November 18, 2003

AS FILED PURSUANT TO RULE 424(B) (5)
REGISTRATION NO. 333-108138

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED AUGUST 28, 2003)

[VORNADO LOGO]

1,600,000 SHARES

7.00% SERIES D-10 CUMULATIVE REDEEMABLE PREFERRED SHARES
LIQUIDATION PREFERENCE \$25.00 PER SHARE

We are a fully integrated real estate investment trust. We are offering and selling 1,600,000 shares of our Series D-10 Cumulative Redeemable Preferred Shares of Beneficial Interest (the "Series D-10 Preferred Shares") to Eaton Vance Tax-Advantaged Dividend Income Fund (the "Fund") with this prospectus supplement.

Dividends on the Series D-10 Preferred Shares will be cumulative from the date of original issue and payable quarterly, beginning on December 15, 2003, at the rate of 7.00% of the liquidation preference per annum, or \$1.75 per Series D-10 Preferred Share per annum.

Except in certain instances relating to preservation of our status as a real estate investment trust, the Series D-10 Preferred Shares are not redeemable until November 17, 2008. On and after November 17, 2008, we may redeem the Series D-10 Preferred Shares, in whole or in part, at a redemption price of \$25.00 per share, plus any accumulated 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.

The Series D-10 Preferred Shares will not be listed on any national securities exchange. Currently, there is no public market for the Series D-10 Preferred Shares.

INVESTING IN THE SERIES D-10 PREFERRED SHARES INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 4 OF THE ACCOMPANYING PROSPECTUS.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Fund has agreed to purchase from Vornado the Series D-10 Preferred Shares offered by this prospectus supplement at a price of \$25.00 per share, resulting in approximately \$40,000,000 in proceeds to Vornado after deducting estimated fees and expenses. See "Plan of Distribution" in this prospectus supplement and the accompanying prospectus.

We expect to deliver the Series D-10 Preferred Shares on or about November 17, 2003.

November 17, 2003

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND CONTAINED OR INCORPORATED BY REFERENCE IN THE ACCOMPANYING PROSPECTUS. VORNADO HAS NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. VORNADO IS NOT MAKING AN OFFER OF THESE SECURITIES IN ANY STATE WHERE THE OFFER IS NOT PERMITTED. YOU SHOULD NOT ASSUME THAT THE INFORMATION PROVIDED BY THIS PROSPECTUS SUPPLEMENT OR CONTAINED OR INCORPORATED BY REFERENCE IN THE ACCOMPANYING PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THIS PROSPECTUS SUPPLEMENT.

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PROSPECTUS SUPPLEMENT SUMMARY

The following information may not contain all the information that may be important to you. You should read the entire prospectus supplement and accompanying prospectus, as well as the documents incorporated by reference in the accompanying prospectus, before making an investment decision. All references to "we", "our", "us" and "Vornado" in this prospectus supplement and the accompanying prospectus mean Vornado Realty Trust and its consolidated subsidiaries, except where it is made clear that the term means only the parent company. All references to the "operating partnership" in this prospectus supplement and the accompanying prospectus mean Vornado Realty L.P. Unless indicated otherwise, all references to areas of properties provided in square

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feet or cubic feet in this prospectus supplement and the accompanying prospectus are approximations.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

Vornado Realty Trust is a fully-integrated real estate investment trust organized under the laws of Maryland. Vornado Realty Trust conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership. Vornado Realty Trust is the sole general partner of, and owned approximately 81% of the common limited partnership interest in, Vornado Realty L.P. as of September 30, 2003.

For a description of the property that Vornado Realty Trust currently owns directly or indirectly through Vornado Realty L.P., see "Vornado Realty Trust and Vornado Realty L.P." beginning on page 16 of the accompanying prospectus.

Our principal executive offices are located at 888 Seventh Avenue, New York, New York 10019, and our telephone number is (212) 894-7000.

THE OFFERING

Shares Offered.....	1,600,000 of our Series D-10 Preferred Shares.
Dividends.....	Dividends on each Series D-10 Preferred Share will be cumulative from the date of original issue and are payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing December 15, 2003, at the rate of 7.00% of the liquidation preference per annum, or \$1.75 per Series D-10 Preferred Share per annum. The first dividend is payable on December 15, 2003 and at that time the Fund will be entitled to receive a prorated amount for the period from the date of original issuance through and including December 15, 2003.
Liquidation Preference.....	\$25.00 per share, plus an amount equal to accumulated and unpaid dividends (whether or not earned or declared).
Ranking.....	The Series D-10 Preferred Shares will rank senior to our common shares and any other Junior Shares that we may issue in the future, and on a parity with our Series A Convertible Preferred Shares, Series B Cumulative Redeemable Preferred Shares, Series C Cumulative Redeemable Preferred Shares, Series D-1 Cumulative Redeemable Preferred Shares, Series D-2 Cumulative Redeemable Preferred Shares, Series D-3 Cumulative Redeemable Preferred Shares, Series D-4 Cumulative Redeemable Preferred Shares, Series D-5 Cumulative Redeemable Preferred Shares, Series D-6 Cumulative Redeemable Preferred Shares, Series D-7 Cumulative Redeemable Preferred Shares, Series D-8 Cumulative Redeemable Preferred Shares, Series D-9 Cumulative Redeem-

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able Preferred Shares and any other parity shares that we may issue in the future, in each case with respect to payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up. Vornado intends to contribute the net proceeds from the offering to Vornado Realty L.P. in exchange for preferred units in Vornado Realty L.P. (with economic terms that mirror the terms of the Series D-10 Preferred Shares). These preferred units will rank, as to distributions and upon liquidation, senior to the Class A Units of limited partnership interest in Vornado Realty L.P. and on a parity with certain other preferred units in Vornado Realty L.P.

Conversion Rights..... The Series D-10 Preferred Shares are not convertible into or exchangeable for any other property or any of our other securities.

Redemption at Option of Vornado..... Except in certain instances relating to preservation of our status as a real estate investment trust, the Series D-10 Preferred Shares are not redeemable until November 17, 2008. On and after November 17, 2008, we may redeem the Series D-10 Preferred Shares, in whole or in part, at a redemption price of \$25.00 per share, plus any accumulated 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.

Voting Rights..... You will generally have no voting rights. However, if dividends on the Series D-10 Preferred Shares or any series or class of parity shares are in arrears for six quarterly dividend periods (whether or not consecutive), the holders of the Series D-10 Preferred Shares (voting separately as a class with holders of all other series of parity preferred shares upon which like voting rights have been conferred and are exercisable) will have the right to elect two additional trustees to serve on Vornado's Board of Trustees until such dividend arrearage is eliminated. In addition, certain changes that would be materially adverse to the rights of holders of the Series D-10 Preferred Shares cannot be made without the affirmative vote of at least two-thirds of the holders of the outstanding Series D-10 Preferred Shares and all other series of parity preferred shares upon which like voting rights have been conferred and are exercisable voting as a single class. If any such changes would be materially adverse to holders of some but not all series of parity preferred shares, a vote of at least two-thirds of the holders of only the series materially and adversely affected would be required. Any increase in the number of Series D-10 Preferred Shares for purposes of

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issuance to persons other than the holders of Series D-10 Preferred Shares on such date will require the affirmative vote of two-thirds of the holders of Series D-10 Preferred Shares.

Restrictions on Ownership..... In order to maintain Vornado's qualification as a real estate investment trust for federal income tax purposes, ownership by any person of more than 9.9% of the outstanding preferred shares of Vornado is prohibited by Vornado's Amended and Restated Declaration of Trust. The Fund and certain affiliates of the Fund have received from Vornado a waiver of this limitation in respect of the acquisition and ownership of the Series D-10 Preferred Shares. The waiver is not transferable.

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Use of Proceeds..... Vornado Realty L.P. will use the net proceeds from this offering for general corporate purposes.

Risk Factors..... See "Risk Factors" beginning on page 4 of the accompanying prospectus for certain considerations relevant to an investment in the Series D-10 Preferred Shares.

USE OF PROCEEDS

The net proceeds from the sale of the Series D-10 Preferred Shares are estimated to be approximately \$40,000,000 before deduction of expenses.

Vornado intends to contribute the net proceeds to Vornado Realty L.P. in exchange for a number of the 7.00% Series D-10 Cumulative Redeemable Preferred Units (the "Series D-10 Preferred Units"), in Vornado Realty L.P. equal to the number of Series D-10 Preferred Shares offered and sold hereby. Vornado Realty L.P. will use the contributed net proceeds from that issuance for general partnership purposes. Pending such use, the net proceeds may be invested in short-term income-producing investments. The Series D-10 Preferred Units will have a distribution preference equal to the distribution preference on the Series D-10 Preferred Shares and will rank, as to distributions and upon liquidation, senior to the Class A Units of limited partnership interest in Vornado Realty L.P. and on a parity with certain other units in Vornado Realty L.P. See "Description of the Series D-10 Preferred Shares -- Ranking" for information about the ranking of the Series D-10 Preferred Units.

CONSOLIDATED RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED SHARE DIVIDEND REQUIREMENTS

Vornado Realty Trust's consolidated ratio of earnings to combined fixed charges and preference dividends for each of the fiscal years ended December 31, 1998, 1999, 2000, 2001 and 2002 and the nine-month period ended September 30, 2003 are as follows:

YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30, 2003
1998	1999	2000	2001	2002	
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Ratio of earnings to combined fixed charges and preference dividends (unaudited).....	1.88	1.73	1.62	1.68	1.68	1.98
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For purposes of calculating these ratios, (a) earnings represent income from continuing operations before income taxes, plus fixed charges, and (b) fixed charges represent interest expense on all indebtedness, including amortization of deferred debt issuance costs, and the portion of operating lease rental expense that management considers representative of the interest factor, which is one-third of operating lease rentals.

DESCRIPTION OF THE SERIES D-10 PREFERRED SHARES

The summary of certain terms and provisions of the Series D-10 Preferred Shares of Vornado contained in this prospectus supplement does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of Vornado's Declaration of Trust, as amended and restated (the "Declaration of Trust") and Vornado's Bylaws, copies of which are filed as exhibits to the registration statement of which the accompanying prospectus forms a part, and by reference to the Articles Supplementary setting forth the particular terms of the Series D-10 Preferred Shares (the "Articles Supplementary") which have been filed as an exhibit to a report on Form 8-K which is incorporated by reference in the registration statement of which this prospectus forms a part. The Declaration of Trust, Vornado's Bylaws and the Articles Supplementary are also available from us. The following description of the particular terms of the Series D-10 Preferred Shares supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of Vornado's preferred shares, no par value per share ("Preferred Shares"), set forth in the accompanying prospectus, to which description reference is hereby made.

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GENERAL

As of September 30, 2003, the declaration of trust authorizes the issuance of 70,000,000 preferred shares. The Preferred Shares may be issued from time to time in one or more series, without shareholder approval, with such designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof as established by the Board of Trustees.

Prior to the Offering, the Board of Trustees classified 4,800,000 of its authorized Preferred Shares as Series D-10 Preferred Shares and authorized the issuance thereof. In addition, prior to the completion of the offering, the Fund and certain affiliates of the Fund have been granted a waiver by Vornado of the of the ownership limit in order to permit the acquisition of the Series D-10 Preferred Shares being sold in the offering. When issued, the Series D-10 Preferred Shares will be validly issued, fully paid and nonassessable. The holders of Series D-10 Preferred Shares will have no preemptive rights with respect to any shares of beneficial interest of Vornado or any other securities of Vornado convertible into or carrying rights or options to purchase any such shares. The Series D-10 Preferred Shares will not be subject to any sinking fund or other obligations of Vornado to redeem or retire the Series D-10 Preferred Shares. Unless redeemed by Vornado, the Series D-10 Preferred Shares will have a perpetual term, with no maturity.

Vornado's income (including income available for distribution on the Series D-10 Preferred Shares) consists primarily of its share of the income of Vornado Realty L.P., and Vornado's cash flow consists primarily of its share of

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distributions from Vornado Realty L.P. Distributions by Vornado Realty L.P. are determined by the Board of Trustees and are dependent on a number of factors, including funds from operations available for distribution, Vornado Realty L.P.'s financial condition, any decision by the Board of Trustees to reinvest funds rather than to distribute such funds, Vornado Realty L.P.'s capital expenditures, the annual distribution requirements under the real estate investment trust ("REIT") provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and such other factors as the Board of Trustees deems relevant. See "Risk Factors -- Our Organizational and Financial Structure Gives Rise to Operational and Financial Risks" in the accompanying prospectus for further information regarding the availability of income to Vornado.

RANKING

The Series D-10 Preferred Shares will rank senior to the Junior Shares (as defined under "--Dividends" below), including the Common Shares, with respect to payment of dividends and amounts upon liquidation, dissolution or winding up. While any Series D-10 Preferred Shares are outstanding, Vornado may not authorize, create or increase the authorized amount of any class or series of beneficial interest that ranks senior to the Series D-10 Preferred Shares with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up without the consent of the holders of two-thirds of the outstanding Series D-10 Preferred Shares and all other shares of Voting Preferred Shares (as defined under "--Voting Rights" below), voting as a single class. However, Vornado may authorize, create or issue series of Preferred Shares ranking on a parity with the Series D-10 Preferred Shares with respect, in each case, to the payment of dividends and amounts upon liquidation, dissolution or winding up ("Parity Shares") without the consent of any holder of Series D-10 Preferred Shares. Any increase in the authorized number of shares constituting the Series D-10 Preferred Shares for the purposes of issuing such shares to persons other than solely to all of the then existing holders thereof on an identical per share basis would, however, require the affirmative vote of two-thirds of the holders of Series D-10 Preferred Shares. See "--Voting Rights" below for a discussion of the voting rights applicable if we seek to create any class or series of beneficial interest senior to the Series D-10 Preferred Shares.

The following series of shares of beneficial interest are Parity Shares with respect to each other:

- the \$3.25 Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share (the "Series A Preferred Shares"),

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- the 8.5% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share (the "Series B Preferred Shares"),
- the 8.5% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share (the "Series C Preferred Shares"),
- the Series D-1 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share (the "Series D-1 Preferred Shares"),
- the 8.375% Series D-2 Cumulative Redeemable Preferred Shares (the "Series D-2 Preferred Shares"),
- the 8.25% Series D-3 Cumulative Redeemable Preferred Shares (the "Series

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- D-3 Preferred Shares"),
- the Series D-4 8.25% Cumulative Redeemable Preferred Shares (the "Series D-4 Preferred Shares"),
- the Series D-5 8.25% Cumulative Redeemable Preferred Shares (the "Series D-5 Preferred Shares"),
- the Series D-6 8.25% Cumulative Redeemable Preferred Shares (the "Series D-6 Preferred Shares"),
- the Series D-7 8.25% Cumulative Redeemable Preferred Shares (the "Series D-7 Preferred Shares"),
- the Series D-8 8.25% Cumulative Redeemable Preferred Shares (the "Series D-8 Preferred Shares"),
- the Series D-9 8.25% Cumulative Redeemable Preferred Shares (the "Series D-9 Preferred Shares"), and
- the Series D-10 Preferred Shares.

As of September 30, 2003, 1,030,438 Series A Preferred Shares, 3,400,000 Series B Preferred Shares and 4,600,000 Series C Preferred Shares were outstanding. The Series A Preferred Shares are listed on the NYSE under the symbol "VNO Pr A," the Series B Preferred Shares are listed on the NYSE under the symbol "VNO Pr B" and the Series C Preferred Shares are listed on the NYSE under the symbol "VNO Pr C." No Series D 1, Series D 2, Series D 3, Series D 4, Series D 5, Series D 6, Series D 7, Series D 8, or Series D 9 Preferred Shares were issued and outstanding as of September 30, 2003.

RANKING OF SERIES D-10 PREFERRED UNITS

Vornado intends to contribute the net proceeds of the offering of the Series D-10 Preferred Shares to Vornado Realty L.P. in exchange for a number of Series D-10 Preferred Units in Vornado Realty L.P. equal to the number of Series D-10 Preferred Shares offered and sold hereby. The Series D-10 Preferred Units to be acquired by Vornado will substantially mirror the economic terms of the Series D-10 Preferred Shares and will rank senior to the Class A Units of limited partnership interest in Vornado Realty L.P. with respect to the payment of distributions and amounts upon liquidation, dissolution or winding up of Vornado Realty L.P.

The Series D-10 Preferred Units will rank on a parity with Vornado Realty L.P.'s:

- Series A Preferred Units,
- Series B Pass-Through Preferred Units ("Series B Preferred Units"),
- Series C Convertible Preferred Units ("Series C Preferred Units"),
- 5.0% Series B-1 Convertible Preferred Units ("Series B-1 Preferred Units"),
- 8.0% Series B-2 Restricted Convertible Preferred Units ("Series B-2 Preferred Units"),
- 6.5% Series C-1 Convertible Preferred Units ("Series C-1 Preferred Units"),
- 8.5% Series D-1 Cumulative Redeemable Preferred Units ("Series D-1

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Preferred Units"),

- 8.375% Series D-2 Cumulative Redeemable Preferred Units ("Series D-2 Preferred Units"),
- 8.25% Series D-3 Cumulative Redeemable Preferred Units ("Series D-3 Preferred Units"),

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- 8.25% Series D-4 Cumulative Redeemable Preferred Units ("Series D-4 Preferred Units"),
- 8.25% Series D-5 Cumulative Redeemable Preferred Units ("Series D-5 Preferred Units"),
- 8.25% Series D-6 Cumulative Redeemable Preferred Units ("Series D-6 Preferred Units"),
- 8.25% Series D-7 Cumulative Redeemable Preferred Units ("Series D-7 Preferred Units"),
- 8.25% Series D-8 Cumulative Redeemable Preferred Units ("Series D-8 Preferred Units"),
- 8.25% Series D-9 Cumulative Redeemable Preferred Units ("Series D-9 Preferred Units"),
- 6.5% Series E-1 Convertible Preferred Units ("Series E-1 Preferred Units"),
- 9.0% Series F-1 Preferred Units ("Series F-1 Preferred Units")

and any other units issued in the future and designated as "Parity Units", in each case with respect to the payment of distributions and amounts upon liquidation, dissolution or winding up of Vornado Realty L.P., without preference or priority one over the other.

The following table summarizes Vornado's outstanding preferred units as of September 30, 2003.

UNIT SERIES	OUTSTANDING UNITS AT		PER UNIT LIQUIDATION PREFERENCE	PREFERRED ANNUAL DISTRIBUTION RATE
	SEPTEMBER 30, 2003	DECEMBER 31, 2002		
Convertible Preferred:				
Series A Preferred.....	1,030,438	1,450,623	\$50.00	\$ 3
Series B Preferred.....	3,400,000	3,400,000	\$25.00	\$ 2.
Series C Preferred.....	4,600,000	4,600,000	\$25.00	\$ 2.
Series B-1 Preferred.....	899,566	899,566	\$50.00	\$ 4
Series B-2 Preferred.....	449,783	449,783	\$50.00	\$ 4
Series C-1 Preferred.....	747,912	747,912	\$50.00	\$ 3
Series E-1 Preferred.....	4,998,000	4,998,000	\$50.00	\$ 3
Series F-1 Preferred.....	400,000	400,000	\$25.00	\$ 2
Perpetual Preferred: (3)				
Series D-1 Preferred.....	3,500,000	3,500,000	\$25.00	\$ 2.

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Series D-2 Preferred.....	549,336	549,336	\$50.00	\$4.1
Series D-3 Preferred.....	8,000,000	8,000,000	\$25.00	\$2.0
Series D-4 Preferred.....	5,000,000	5,000,000	\$25.00	\$2.0
Series D-5 Preferred.....	6,480,000	6,480,000	\$25.00	\$2.0
Series D-6 Preferred.....	840,000	840,000	\$25.00	\$2.0
Series D-7 Preferred.....	7,200,000	7,200,000	\$25.00	\$2.0
Series D-8 Preferred.....	360,000	360,000	\$25.00	\$2.0
Series D-9 Preferred.....	1,800,000	1,800,000	\$25.00	\$2.0

- (1) Increases to \$3.38 in March 2006.
- (2) Holders have the right to require the Company to redeem the outstanding F-1 units for cash or common shares (at the Company's option) equal to the Liquidation Preference of \$25.00 per share.
- (3) Convertible at the option of the holder for an equivalent amount of the Company's preferred shares and redeemable at the Company's option after the 5th anniversary of the date of issuance (ranging from December 1998 to September 2001).

Vornado Realty L.P. may create additional classes of Parity Units or issue additional units of any series of Parity Units without the consent of any holder of Series D-10 Preferred Shares.

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DIVIDENDS

Holders of Series D-10 Preferred Shares will be entitled to receive, when, as and if authorized by the Board of Trustees of Vornado, out of funds of Vornado legally available for payment, cumulative cash dividends at the rate per annum of 7.00% per share on the liquidation preference thereof (equivalent to \$1.75 per Series D-10 Preferred Share per annum). Dividends on each Series D-10 Preferred Share will be cumulative from the date of original issue and are payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing December 15, 2003 (and, in the case of any accrued but unpaid dividends, at such additional times and for such interim periods, if any, as determined by the Board of Trustees), at such annual rate. Each such dividend is payable to holders of record as they appear on the share records of Vornado at the close of business on such record dates, not exceeding 30 days preceding the payment dates thereof as fixed by the Board of Trustees of Vornado. Accumulated and unpaid dividends for any past quarterly dividend periods may be authorized and declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Trustees. Dividends are cumulative from the most recent dividend payment date to which dividends have been paid, whether or not in any dividend period or periods there shall be funds of Vornado legally available for the payment of such dividends. Accumulations of dividends on Series D-10 Preferred Shares will not bear interest. Dividends payable on the Series D-10 Preferred Shares for any period greater or less than a full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Series D-10 Preferred Shares for each full dividend period will be computed by dividing the annual dividend rate by four.

No dividend will be declared or paid on any Parity Shares unless full cumulative dividends have been declared and paid or are contemporaneously declared and funds sufficient for payment set aside on the Series D-10 Preferred

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Shares for all prior dividend periods. If accumulated dividends on the Series D-10 Preferred Shares for all prior dividend periods have not been paid in full then any dividend declared on the Series D-10 Preferred Shares and on any Parity Shares for any dividend period will be declared ratably in proportion to the respective amounts of accumulated and unpaid dividends on the Series D-10 Preferred Shares and such Parity Shares.

Vornado will not

(i) declare, pay or set apart funds for the payment of any dividend or other distribution with respect to any Junior Shares (as defined below) (other than in shares of Junior Shares) or

(ii) redeem, purchase or otherwise acquire for consideration any Junior Shares through a sinking fund or otherwise (other than a redemption or purchase or other acquisition of Common Shares made for purposes of an employee incentive or benefit plan of Vornado or any subsidiary, or a conversion into or exchange for Junior Shares or redemptions for the purpose of preserving Vornado's qualification as a REIT),

unless

(A) all cumulative dividends with respect to the Series D-10 Preferred Shares and any Parity Shares at the time such dividends are payable have been paid or funds have been set apart for payment of such dividends and

(B) sufficient funds have been paid or set apart for the payment of the dividend for the current dividend period with respect to the Series D-10 Preferred Shares and any Parity Shares.

As used herein, (i) the term "dividend" does not include dividends payable solely in shares of Junior Shares on Junior Shares, or in options, warrants or rights to holders of Junior Shares to subscribe for or purchase any Junior Shares, and (ii) the term "Junior Shares" means the Common Shares, and any other class of capital stock of Vornado now or hereafter issued and outstanding that ranks junior as to the payment of dividends or amounts upon liquidation, dissolution and winding up to the Series D-10 Preferred Shares.

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REDEMPTION

Except as otherwise provided under the Declaration of Trust to protect Vornado's status as a REIT, Series D-10 Preferred Shares will not be redeemable by Vornado prior to November 17, 2008. On and after November 17, 2008, the Series D-10 Preferred Shares will be redeemable at the option of Vornado, in whole or in part, at any time or from time to time, at a redemption price of \$25.00 per Series D-10 Preferred Share, plus any accumulated and unpaid dividends to the date fixed for redemption.

Vornado will give notice of redemption at least 30 days but no more than 60 days prior to the redemption date either by first class mail, postage prepaid, at the holder's address as it appears in Vornado's share transfer records, or by publication in The Wall Street Journal or The New York Times, or if neither newspaper is then being published, any other daily newspaper of national circulation. If Vornado chooses to provide such notice by publication, it will also promptly mail notice of such redemption to the holders of the Series D-10 Preferred Shares to be redeemed. A failure to give such notice or any defect in the notice or in its mailing will not affect the validity of the proceedings for the redemption of any Series D-10 Preferred Shares except as to the holder to whom notice was defective or not given. Each notice will state:

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- the redemption date;
- the number of Series D-10 Preferred Shares to be redeemed;
- the redemption price;
- the place or places where the certificates evidencing the Series D-10 Preferred Shares are to be surrendered for payment of the redemption price; and
- that dividends on the shares to be redeemed will cease to accrue on such redemption date, except as otherwise provided therein.

If fewer than all the Series D-10 Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder will also specify the number, and the method for selecting such number, of Series D-10 Preferred Shares to be redeemed from such holder.

If full cumulative dividends on the Series D-10 Preferred Shares and any Parity Shares have not been paid or declared and set apart for payment, the Series D-10 Preferred Shares may not be redeemed in part and Vornado may not purchase, redeem or otherwise acquire Series D-10 Preferred Shares or any Parity Shares other than in exchange for Junior Shares; provided, however, that the foregoing shall not prevent the exchange by Vornado of excess shares in order to ensure that Vornado continues to meet the requirements for qualification as a REIT. See "Description of Shares of Beneficial Ownership of Vornado Realty Trust - Description of Preferred Shares of Vornado Realty Trust - Restrictions on Ownership" beginning on page 41 of the accompanying prospectus for a discussion of such purchases of excess shares by Vornado.

On and after the date fixed for redemption, provided that Vornado has made available at the office of the registrar and transfer agent a sufficient amount of cash to effect the redemption, dividends will cease to accumulate on the Series D-10 Preferred Shares called for redemption (except that, in the case of a redemption date after a dividend payment record date and prior to the related payment date, holders of Series D-10 Preferred Shares on the dividend payment record date will be entitled on such dividend payment date to receive the dividend payable on such shares), such shares shall no longer be deemed to be outstanding and all rights of the holders of such shares as holders of Series D-10 Preferred Shares shall cease except the right to receive the cash payable upon such redemption, without interest from the date of such redemption.

LIQUIDATION PREFERENCE

The holders of Series D-10 Preferred Shares will be entitled to receive in the event of any liquidation, dissolution or winding up of Vornado, whether voluntary or involuntary, \$25.00 per Series D-10 Preferred Share (the "Liquidation Preference") plus an amount per Series D-10 Preferred Share equal to all dividends (whether or not earned or declared) accumulated and unpaid thereon to the date of final distribution to such holders, and no more.

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Until the holders of the Series D-10 Preferred Shares have been paid the Liquidation Preference and all accrued and unpaid dividends in full, no payment will be made to any holder of Junior Shares upon the liquidation, dissolution or winding up of Vornado. If, upon any liquidation, dissolution or winding up of Vornado, the assets of Vornado, or proceeds thereof, distributable among the holders of the Series D-10 Preferred Shares are insufficient to pay in full the Liquidation Preference and all accrued and unpaid dividends and the liquidation

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preference and all accrued and unpaid dividends with respect to any other shares of Parity Shares, then such assets, or the proceeds thereof, will be distributed among the holders of Series D-10 Preferred Shares and any such Parity Shares ratably in accordance with the respective amounts which would be payable on such Series D-10 Preferred Shares and any such Parity Shares if all amounts payable thereon were paid in full. None of (i) a consolidation or merger of Vornado with one or more entities, (ii) a statutory share exchange by Vornado or (iii) a sale or transfer of all or substantially all of Vornado's assets will be considered a liquidation, dissolution or winding up, voluntary or involuntary, of Vornado.

VOTING RIGHTS

Except as indicated below, the holders of Series D-10 Preferred Shares will have no voting rights.

If and whenever six quarterly dividends (whether or not consecutive) payable on the Series D-10 Preferred Shares or any other Parity Shares are in arrears, whether or not earned or declared, the number of trustees then constituting the Board of Trustees of Vornado will be increased by two and the holders of Series D-10 Preferred Shares, voting together as a single class with the holders of any other series of Parity Shares (any such other series, the "Voting Preferred Shares"), will have the right to elect two additional trustees to serve on Vornado's Board of Trustees at an annual meeting of shareholders or a properly called special meeting of the holders of the Series D-10 Preferred Shares and such Voting Preferred Shares and at each subsequent annual meeting of shareholders until all such dividends and dividends for the current quarterly period on the Series D-10 Preferred Shares and such other Voting Preferred Shares have been paid or declared and set aside for payment. Whenever all arrears in dividends on the Series D-10 Preferred Shares and the Voting Preferred Shares then outstanding have been paid and full dividends on the Series D-10 Preferred Shares and the Voting Preferred Shares for the current quarterly dividend period have been paid in full or declared and set apart for payment in full, then the right of the holders of the Series D-10 Preferred Shares and the Voting Preferred Shares to elect these two additional trustees will cease, and the terms of office of these two trustees will forthwith terminate and the number of members of the Board of Trustees will be reduced accordingly. However, the right of the holders of the Series D-10 Preferred Shares and the Voting Preferred Shares to elect two additional trustees will again vest if and whenever six quarterly dividends are in arrears, as described above.

The approval of two-thirds of the outstanding Series D-10 Preferred Shares and all other series of Voting Preferred Shares, acting as a single class regardless of Series either at a meeting of shareholders or by written consent, is required in order to

- authorize the creation of, or the increase in the number of, either any class or series of shares ranking senior to the Series D-10 Preferred Shares or any security convertible into or exchangeable for such senior shares, or
- amend, alter or repeal any provisions of the Declaration of Trust or Articles Supplementary, whether by merger, consolidation or otherwise, to affect materially and adversely the voting powers, rights or preferences of the Series D-10 Preferred Shares or the Voting Preferred Shares.

No vote of the holders of Series D-10 Preferred Shares or Voting Preferred Shares shall be required if, at or prior to the time when such an amendment, alteration or repeal is to take effect, or when the issuance of these shares or security convertible into these shares is to be made, provision is made to redeem all of the Series D-10 Preferred Shares or Voting Preferred Shares, as the case may be. In addition, any amendment to authorize any Junior or Parity

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Shares, or to increase the number of Series D-10 Preferred Shares for the purpose of issuance to existing holders of Series D-10 Preferred Shares at such time shall not be deemed to materially and adversely affect the voting powers, rights or preferences of the Series D-10 Preferred Shares. Additionally, a merger, consolidation or sale of all or substantially all of the assets of Vornado with respect to

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which (1) Vornado is the surviving entity and the Series D-10 Preferred Shares remain outstanding with terms materially unchanged in any respect adverse to the holders or, (2) if Vornado does not survive, the surviving entity substitutes or exchanges the Series D-10 Preferred Shares for securities having substantially the same terms and rights as the Series D-10 Preferred Shares with respect to distributions, voting rights and rights upon liquidation, dissolution or winding up shall not be deemed to materially and adversely affect the voting powers, rights or preferences of the Series D-10 Preferred Shares.

If the amendment, alteration or repeal would have a material adverse effect on voting powers, rights or preferences of Series D-10 Preferred Shares and on the holders of some but not all series of Voting Preferred Shares, the affirmative vote of two-thirds of the holders of only those series similarly affected voting as single class regardless of series would be required to validate such an action.

An affirmative vote by two-thirds of the holders of the Series D-10 Preferred Shares would be required to approve an increase in the number of Series D-10 Preferred Shares for the purpose of an issuance to persons other than the existing holders thereof at such time.

CONVERSION RIGHTS

The Series D-10 Preferred Shares are not convertible into or exchangeable for any other property or securities of Vornado.

RESTRICTIONS ON OWNERSHIP

For a description of restrictions on ownership of the Series D-10 Preferred Shares, see the discussion under the heading "Description of Shares of Beneficial Ownership of Vornado Realty Trust -- Description of Preferred Shares of Vornado Realty Trust -- Restrictions on Ownership" beginning on page 41 of accompanying prospectus. The Fund and certain affiliates of the Fund have been granted a waiver by Vornado of the ownership limit in order to permit the acquisition and ownership of the Series D-10 Preferred Shares being sold in the offering. The waiver is not transferable.

TRANSFER AGENT, REGISTRAR, DIVIDEND DISBURSING AGENT AND REDEMPTION AGENT

The transfer agent, registrar, dividend disbursing agent and redemption agent for the Series D-10 Preferred Shares is Wachovia Bank, N.A., Charlotte, North Carolina.

FEDERAL INCOME TAX CONSIDERATIONS

For a description of the U.S. Federal income tax considerations relating to the Series D-10 Preferred Shares, please see "Federal Income Tax Considerations - Taxation of Holders of Common Shares or Preferred Shares" beginning on page 60 of the accompanying prospectus.

PLAN OF DISTRIBUTION

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Subject to the terms and conditions of a purchase agreement dated November 17, 2003, we have agreed to sell directly to the Fund, and the Fund has agreed to purchase, 1,600,000 of our Series D-10 Preferred Shares. The purchase agreement provides that the obligation of the Fund to purchase the Series D-10 Preferred Shares included in this offering is subject to the satisfaction of certain other conditions.

VALIDITY OF THE SERIES D-10 PREFERRED SHARES

The validity of the Series D-10 Preferred Shares offered hereby will be passed upon for Vornado by Venable LLP, Baltimore, Maryland.

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EXPERTS

The consolidated financial statements and the related financial statement schedules incorporated into the accompanying prospectus by reference from Vornado Realty Trust's annual report on Form 10-K for the year ended December 31, 2002 and from Vornado Realty L.P.'s annual report on Form 10-K for the year ended December 31, 2002, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports, which are also incorporated into the accompanying prospectus by reference (which reports express an unqualified opinion and include an explanatory paragraph referring to Vornado Realty Trust's and Vornado Realty L.P.'s adoption of SFAS No. 142 "Goodwill and Other Intangible Assets" on January 1, 2002), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing. For more information, see "Experts" on page 82 of the accompanying prospectus.

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\$862,990,505

Vornado Realty Trust

Common Shares
Preferred Shares
Depositary Shares

\$2,000,000,000

Vornado Realty L.P.

Debt Securities

Vornado Realty Trust from time to time may offer to sell common shares and preferred shares. The preferred shares may either be sold separately or represented by depositary shares. Vornado Realty L.P. from time to time may offer to sell debt securities. The debt securities may be exchangeable for common or preferred shares of Vornado Realty Trust, and the preferred shares may be convertible into common shares or into preferred shares of another series. The total amount of common shares, preferred shares and depositary shares offered under this prospectus will have an initial aggregate offering price of up to \$862,990,505, and the total amount of debt securities will have an initial aggregate offering price of up to \$2,000,000,000, or in either case the equivalent amount in other currencies, currency units or composite currencies.

Vornado Realty Trust and Vornado Realty L.P. may offer and sell these securities to or through one or more underwriters, dealers and agents or

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directly to purchasers, on a continuous or delayed basis.

This prospectus describes some of the general terms that may apply to these securities and the general manner in which they may be offered. The specific terms of any securities to be offered, and the specific manner in which they may be offered, will be described in a supplement to this prospectus.

Vornado Realty Trust's common shares are listed on the New York Stock Exchange under the symbol "VNO," its Series A Preferred Shares are listed on the NYSE under the symbol "VNO Pr A," its Series B Preferred Shares are listed on the NYSE under the symbol "VNO Pr B" and its Series C Preferred Shares are listed on the NYSE under the symbol "VNO Pr C." Where applicable, the prospectus supplement will contain information on any listing on a securities exchange of securities covered by that prospectus supplement.

SEE "RISK FACTORS" BEGINNING ON PAGE 4 FOR CERTAIN FACTORS RELEVANT TO AN INVESTMENT IN THE SECURITIES.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospectus dated August 28, 2003.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS AND THE ACCOMPANYING PROSPECTUS SUPPLEMENT OR INCORPORATED BY REFERENCE IN THESE DOCUMENTS. NO DEALER, SALESPERSON OR OTHER PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO REPRESENT ANYTHING NOT CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR THE ACCOMPANYING PROSPECTUS SUPPLEMENT. IF ANYONE PROVIDES YOU WITH DIFFERENT, INCONSISTENT OR UNAUTHORIZED INFORMATION OR REPRESENTATIONS, YOU MUST NOT RELY ON THEM. THIS PROSPECTUS AND THE ACCOMPANYING PROSPECTUS SUPPLEMENT ARE AN OFFER TO SELL ONLY THE SECURITIES OFFERED BY THESE DOCUMENTS, BUT ONLY UNDER CIRCUMSTANCES AND IN JURISDICTIONS WHERE IT IS LAWFUL TO DO SO. THE INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT IS CURRENT ONLY AS OF THE DATE ON THE FRONT OF THOSE DOCUMENTS.

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AVAILABLE INFORMATION

Vornado Realty Trust and Vornado Realty L.P. are required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any documents filed by us at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC's Internet site at <http://www.sec.gov> and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which Vornado Realty Trust's common shares and Series A, B and C Preferred Shares are listed.

We have filed registration statements on Form S-3 with the SEC relating to the securities covered by this prospectus. This prospectus is a part of the registration statements and does not contain all of the information in the registration statements. Whenever a reference is made in this prospectus to a contract or other document, please be aware that the reference is only a summary and that you should refer to the exhibits that are a part of the registration statements for a copy of the contract or other document. You may review a copy of the registration statements at the SEC's public reference room in Washington, D.C., as well as through the SEC's Internet site.

The SEC's rules allow us to "incorporate by reference" information into this prospectus. This means that we can disclose important information to you by referring you to another document. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of the securities by means of this prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus.

Vornado Realty Trust and Vornado Realty L.P. incorporate by reference into this prospectus the following documents or information filed with the SEC:

- (1) Annual reports of Vornado Realty Trust and Vornado Realty L.P. on Forms 10-K for the fiscal year ended December 31, 2002 (File Nos. 001-11954 and 000-22635);
- (2) Current report on Form 8-K of Vornado Realty Trust dated May 28, 2003 and filed with the SEC on June 2, 2003 (File No. 001-11954);
- (3) Quarterly reports of Vornado Realty Trust on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003 (File No. 001-11954), filed with the SEC on May 8, 2003 and August 8, 2003;
- (4) Quarterly reports of Vornado Realty L.P. on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003 (File No. 000-22685), filed with the SEC on May 15, 2003 and August 13, 2003;
- (5) The description of Vornado Realty Trust's common shares contained in Vornado Realty Trust's registration statement on Form 8-B (File No. 001-11954), filed with the SEC on May 10, 1993;
- (6) The description of Vornado Realty Trust's Series A Preferred Shares contained in Vornado Realty Trust's registration statement on Form 8-A (File No. 001-11954), filed with the SEC on April 3, 1997;

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(7) The description of Vornado Realty Trust's Series B Preferred Shares contained in Vornado Realty Trust's registration statement on Form 8-A (File No. 001-11954), filed with the SEC on March 15, 1999;

(8) The description of Vornado Realty Trust's Series C Preferred Shares contained in Vornado Realty Trust's registration statement on Form 8-A (File No. 001-11954), filed with the SEC on May 19, 1999; and

(9) All documents filed by Vornado Realty Trust and Vornado Realty L.P. under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before the termination of this offering or after the date of the initial registration statement and before

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effectiveness of the registration statement, except that the information referred to in Item 402(a)(8) of Regulation S-K of the SEC is not incorporated by reference into this prospectus.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus, excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You can request those documents from our corporate secretary, 210 Route 4 East, Paramus, New Jersey 07652, telephone (201) 587-1000.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the documents incorporated by reference in it, contains forward-looking statements with respect to our financial condition, results of operations and business. These statements may be made directly in this document or they may be made part of this document by reference to other documents filed with the SEC, which is known as "incorporation by reference." You can find many of these statements by looking for words such as "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions in this prospectus or the documents incorporated by reference. Unless the context otherwise requires or as otherwise specified, references in this prospectus to "we," "us" or "our" refer to Vornado Realty Trust and its subsidiaries, including Vornado Realty L.P., except where we make clear that we mean only the parent company, Vornado Realty Trust.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, those listed under the caption "Risk Factors" in this prospectus as well as the following possibilities:

- national, regional and local economic conditions;
- the consequences of any armed conflict involving, or terrorist attack against, the United States;
- our ability to secure adequate insurance;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;

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- competition from other available space;
- whether tenants consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- whether we are able to pass some or all of any increased operating costs we experience through to our tenants;
- how well we manage our properties;
- increased interest rates;
- increases in real estate taxes and other expenses;
- decreases in market rental rates;
- the timing and costs associated with property improvements and rentals;
- changes in taxation or zoning laws;
- government regulations;
- Vornado Realty Trust's failure to continue to qualify as a real estate investment trust;
- availability of financing on acceptable terms or at all;
- potential liability under environmental or other laws or regulations; and

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- general competitive factors.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these items are beyond our ability to control or predict. 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 prospectus or, if applicable, the date of the applicable 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 after the date of this prospectus or to reflect the occurrence of unanticipated events. For more information on the uncertainty of forward-looking statements, see "Risk Factors" in this prospectus.

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RISK FACTORS

An investment in our securities involves risks. You should carefully

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consider, among other factors, the matters described below before deciding to purchase our securities.

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 include, among other things:

- national, regional and local economic conditions;
- the consequences of any armed conflict involving, or terrorist attack against, the United States;
- our ability to secure adequate insurance;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- competition from other available space;
- whether tenants consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- whether we are able to pass some or all of any increased operating costs we experience through to tenants;
- how well we manage our properties;
- increased interest rates;
- increases in real estate taxes and other expenses;
- decreases in market rental rates;
- the timing and costs associated with property improvements and rentals;
- changes in taxation or zoning laws;
- government regulations;
- Vornado Realty Trust's failure to continue to qualify as a real estate investment trust;
- availability of financing on acceptable terms or at all;
- 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 our rental revenues decline, we generally would expect to have less cash available to distribute to the holders of our securities. 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. If rents decline while costs remain the same, our income and funds available for distribution to our security

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holders would decline.

WE DEPEND ON LEASING SPACE TO TENANTS ON ECONOMICALLY FAVORABLE TERMS AND COLLECTING RENT FROM OUR TENANTS, WHO MAY NOT BE ABLE TO PAY.

Our financial results depend on leasing space in our properties to tenants on economically favorable terms. In addition, because substantially all of our income comes from rentals of real property, our income and funds available for distribution to our security holders will decrease if a significant number of our tenants cannot pay their rent. If a tenant does not pay its rent, we might not be able to enforce our rights as landlord

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without delays and might incur substantial legal costs. For information regarding the bankruptcy of our tenants, see "-- Bankruptcy of tenants may decrease our revenues and available cash" below.

BANKRUPTCY OF TENANTS MAY DECREASE OUR REVENUES AND AVAILABLE CASH.

A number of companies, including some of our tenants, have declared bankruptcy in recent years, and other tenants may declare bankruptcy or become insolvent in the future. If a major tenant declares bankruptcy or becomes insolvent, the rental property where it leases space may have lower revenues and operational difficulties, and, in the case of our shopping centers, we may have difficulty leasing the remainder of the affected property. Our leases generally do not contain restrictions designed to ensure the creditworthiness of our tenants. As a result, the bankruptcy or insolvency of a major tenant could result in a lower level of funds from operations available for distribution to our security holders.

U.S. Airways Group Inc. leases its headquarters in Washington, D.C. from us. U.S. Airways has been adversely affected by the downturn in air travel as a result of the terrorist attacks and economic decline. On August 11, 2002, U.S. Airways filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Effective January 1, 2003, we agreed to amend our lease with U.S. Airways at Crystal City to (a) reduce the tenant's space by 90,732 square feet to 205,600 square feet, (b) reduce the annual escalated rent from \$36.00 to \$29.75 per square foot with 2.5% annual base rent escalations, (c) provide the tenant with up to \$1,200,000 of tenant allowances and (d) loan the tenant up to \$1,000,000 at 9% per annum for additional tenant improvements which is to be repaid over the lease term. This lease modification has been approved by the Bankruptcy Court.

Stop & Shop leases a number of our retail locations and guarantees the leases of a number of our former Bradlees retail locations. In February 2003, Koninklijke Ahold NV, parent of Stop & Shop, announced that it overstated its 2002 and 2001 earnings by at least \$500 million and is under investigation by the U.S. Justice Department and Securities and Exchange Commission. We cannot predict what effect, if any, this situation may have on Stop & Shop's ability to satisfy its obligation under the Bradlees guarantees and rent for existing Stop & Shop leases aggregating approximately \$10.5 million per annum.

The risk that some of our tenants may declare bankruptcy is higher because of the September 11, 2001 terrorist attacks and the resulting decline in the economy. This is particularly true for our tenants that are dependent on the air or travel industries as a primary source of revenue.

SOME OF OUR POTENTIAL LOSSES MAY NOT BE COVERED BY INSURANCE.

We carry comprehensive general liability and all risk property insurance

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(fire, flood, extended coverage and rental loss insurance) with respect to our assets and are at risk for financial loss in excess of the policies limits, which loss could be material.

Our all risk insurance policies in effect before September 11, 2001 did not expressly exclude coverage for hostile acts, except for acts of war. Since September 11, 2001 and prior to the enactment of the Terrorism Risk Insurance Act of 2002, as described below, insurance companies have for the most part excluded terrorist acts from coverage in all risk policies. We were generally unable to obtain all risk insurance that includes coverage for terrorist acts for policies we renewed during that period for each of our businesses. In 2002, we obtained \$200,000,000 of separate aggregate coverage for terrorist acts for each of our New York City office, Washington, D.C. office, Retail and Merchandise Mart businesses and \$60,000,000 for our Temperature Controlled Logistics business.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), Vornado Realty L.P.'s senior unsecured notes due 2007, and our revolving credit agreement, contain customary covenants requiring us to maintain insurance. There can be no assurance that the lenders under these instruments in place at that time will not take the position that since our all risk insurance policies differ from policies put into effect prior to September 11, 2001 as to coverage for terrorist acts, there are breaches of these debt instruments that allow the lenders to declare an event of default and accelerate repayment of debt. In addition, if lenders insist on coverage for these risks as it existed prior to September 11,

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2001, it could adversely affect our ability to finance and/or refinance our properties and to expand our portfolio.

On November 26, 2002, the Terrorism Risk Insurance Act of 2002 was signed into law. Under this new legislation, through 2004 (with a possible extension through 2005), regulated insurers must offer coverage in their commercial property and casualty policies (including existing policies) for losses resulting from defined "acts of terrorism". As a result of the legislation, in March 2003, we obtained \$300 million of per occurrence coverage for Certified terrorist acts, as defined in the legislation, which includes \$60 million for Non-Certified Acts, for our New York City office and Washington, D.C. office and \$100 million for Non-Certified Acts for our Merchandise Mart businesses. Additionally, in June 2003 we obtained for our Retail business \$500 million of per occurrence coverage for Certified terrorist acts, as defined in the legislation, which includes \$150 million for Non-Certified Acts. We maintain \$60 million of separate aggregate coverage for terrorist acts that we had in 2002 for our Temperature Controlled Logistics businesses (which has been renewed as of January 1, 2003). Therefore, we are at risk for financial loss in excess of these limits for terrorist acts as defined by the policies and the legislation, which loss could be material.

WE MAY ACQUIRE OR DEVELOP NEW PROPERTIES, AND THIS MAY CREATE RISKS.

We may acquire or develop properties or acquire other real estate 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 our budget. We also might not succeed in leasing newly developed or acquired properties at rents sufficient to cover their costs of acquisition or development and operations.

We have experienced rapid growth in recent years, increasing our total

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assets from approximately \$565,000,000 at December 31, 1996 to approximately \$8,971,580,000 at June 30, 2003. This growth included the acquisition of Charles E. Smith Commercial Realty L.P. on January 1, 2002 which increased our total assets as of that date by \$2,506,000,000, of which \$1,758,000,000 is attributable to the acquisition of assets and \$748,000,000 is attributable to Charles E. Smith Commercial Realty L.P. becoming a wholly owned subsidiary of Vornado Realty L.P. and therefore being consolidated rather than accounted for under the equity method. We may not be able to maintain a similar rate of growth in the future, or manage our past and any future growth effectively. Our failure to do so may have a material adverse effect on our financial condition and results of operations. Difficulties in integrating acquisitions may prove costly or time-consuming and could divert management's attention.

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, we may agree with the seller that we will not dispose of the acquired properties or reduce the mortgage indebtedness on them for significant periods of time unless we pay certain of the resulting tax costs of the seller. These agreements could result in our holding on to properties that we would otherwise sell and not paying down or refinancing indebtedness that we would otherwise pay down or refinance.

IT MAY BE DIFFICULT TO BUY AND SELL REAL ESTATE QUICKLY, AND TRANSFER RESTRICTIONS APPLY TO SOME OF OUR MORTGAGED PROPERTIES.

Equity real estate investments are relatively difficult to buy and sell quickly. We therefore have limited ability to vary our portfolio promptly in response to changes in economic or other conditions. Some of our properties are mortgaged to secure payment of indebtedness. If we were unable to meet our mortgage payments, the lender could foreclose on the properties and we could incur a loss. In addition, if we wish to dispose of one or more of the mortgaged properties, we might not be able to obtain release of the lien on the mortgaged property. If a lender forecloses on a mortgaged property or if a mortgage lien prevents us from selling a property, our funds available for distribution to our security holders could decline. For information relating to the mortgages on our properties, see "Management's Discussion and Analysis of Financial

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Condition and Results of Operations -- Liquidity and Capital Resources" in our annual report on Form 10-K for the year ended December 31, 2002 and quarterly report on Form 10-Q for the quarter ended June 30, 2003 and the notes to our consolidated financial statements in the same reports.

A SIGNIFICANT PROPORTION OF OUR PROPERTIES ARE IN THE NEW YORK CITY/NEW JERSEY AND WASHINGTON, D.C. METROPOLITAN AREAS AND ARE AFFECTED BY THE ECONOMIC CYCLES AND RISKS INHERENT TO THOSE REGIONS.

During 2002, 86% of our income before gains in sale of real estate and cumulative effect of change in accounting principle came from properties located in New Jersey and the New York City and Washington, D.C. metropolitan areas.

We may continue to concentrate a significant portion of our future acquisitions in New Jersey and the New York City and Washington, D.C. metropolitan areas. Like other real estate markets, the real estate markets in these areas have experienced economic downturns in the past, and we cannot predict how the current economic conditions will impact these markets in both the short and long term. Further declines in the economy or a decline in the real estate markets in these areas could hurt our financial performance and the

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value of our properties. The factors affecting economic conditions in these regions include:

- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries;
- infrastructure quality; and
- any oversupply of or reduced demand for real estate.

It is impossible for us to assess the future effects of the current uncertain trends in the economic and investment climates of the New York City/New Jersey and Washington, D.C. regions, and more generally of the United States, on the real estate markets in these areas. If these conditions persist, they may adversely affect our businesses and future profitability.

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 INCREASED COSTS TO US.

We have agreed to restrictions on our ability to sell, finance, refinance and, in some instances, pay down existing financing on the Charles E. Smith Commercial Realty L.P. properties for a period of up to 20 years, under a tax reporting and protection agreement that we entered into at the closing of the merger. This agreement prohibits us from taking these actions unless Vornado Realty L.P. also pays the contributing partners based on their tax liabilities as a result of the sale. These arrangements may significantly reduce our ability to sell, finance or repay indebtedness secured by the subject properties or assets.

In addition, 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 or an interest in our division that manages the majority of our office properties in the Washington, D.C. metropolitan area, which we refer to as the "Smith Division," for a period of 12 years with respect to certain properties located in the Crystal City area of Arlington, Virginia or six years with respect to an interest in the Smith Division. These

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restrictions, which currently cover approximately 13.0 million square feet of space, could result in our inability to sell these properties or an interest in the Smith Division at an opportune time and increased costs to us.

WE MAY INCUR COSTS TO COMPLY WITH ENVIRONMENTAL LAWS.

Our operations and properties are subject to various federal, state and

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local laws, ordinances and regulations concerning the protection of the environment, including air and water quality, hazardous substances and health and safety. Under certain of these 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 damages, demolition, renovations 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 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 exposure at or from our properties.

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 condition. 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 cleanup or compliance requirements could result in significant costs to us.

REAL ESTATE IS A COMPETITIVE BUSINESS.

Our business segments -- Office, Retail, Merchandise Mart Properties, Temperature Controlled Logistics, 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, D.C. and Northern Virginia area. We compete with a large number of real estate property owners and developers. Principal factors of competition are rent charged, attractiveness of location and quality and breadth of services provided. Our success depends upon, among other factors, trends of the national 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 regulations, legislation and population trends.

THE TERRORIST ATTACKS OF SEPTEMBER 11, 2001 IN NEW YORK CITY AND THE WASHINGTON, D.C. AREA MAY ADVERSELY AFFECT THE VALUE OF OUR PROPERTIES AND OUR ABILITY TO GENERATE CASH FLOW.

THERE MAY BE A DECREASE IN DEMAND FOR SPACE IN LARGE METROPOLITAN AREAS THAT ARE CONSIDERED AT RISK FOR FUTURE TERRORIST ATTACKS, AND THIS DECREASE MAY REDUCE OUR REVENUES FROM PROPERTY RENTALS.

We have significant investments in large metropolitan areas, including the New York/New Jersey, Washington, D.C. and Chicago metropolitan areas. In the aftermath of the terrorist attacks, tenants in these areas may choose to relocate their business to less populated, lower-profile areas of the United States that are not as likely to be targets of future terrorist activity. 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 our properties on less favorable terms. As a result, the value of our properties and the level of our revenues could decline materially.

OUR INVESTMENT IN HOTEL PENNSYLVANIA IS DEPENDENT ON THE TRAVEL INDUSTRY AND THAT INVESTMENT HAS BEEN AND MAY CONTINUE TO BE IMPACTED SEVERELY BY THE TERRORIST ATTACKS AND THE CURRENT ECONOMIC DOWNTURN.

Our investment in Hotel Pennsylvania is directly dependent on the travel industry generally and the number of visitors to New York City in particular. Since September 11, 2001, there has been a substantial decline in travel and tourism generally, and in particular in New York City. Accordingly, there has been a significant reduction in occupancy at Hotel Pennsylvania. As a result, revenues generated by this investment have been impacted severely by that decline, and we expect this impact on revenues to continue.

ALL OF OUR TEMPERATURE CONTROLLED LOGISTICS WAREHOUSES ARE LEASED TO ONE TENANT, AND THAT TENANT IS EXPERIENCING OPERATING DIFFICULTIES.

Vornado Realty L.P. indirectly owns a 60% interest in a partnership, which we refer to as the "Vornado Crescent Portland Partnership," that owns 88 cold storage warehouses nationwide with an aggregate of approximately 441.5 million cubic feet of refrigerated, frozen and dry storage space. The Vornado Crescent Portland Partnership sold all of the non-real estate assets encompassing the operations of the temperature controlled business to a new partnership named AmeriCold Logistics owned 60% by Vornado Operating Company, which we refer to as "Vornado Operating," and 40% by Crescent Operating Inc. AmeriCold Logistics leases the underlying temperature controlled warehouses used in this business from the Vornado Crescent Portland Partnership, which continues to own the real estate. During 2002, AmeriCold Logistics generated approximately 4.5% of Vornado Realty Trust's income before gains on sale of real estate and cumulative effect of change in accounting principle. The leases, as amended, generally have a 15-year term with two five-year renewal options and provide for the payment of fixed base rent and percentage rent based on revenue AmeriCold Logistics receives from its customers. The contractual rent for 2002 was \$150,000,000. The landlord's share of annual maintenance capital expenditures is \$9,500,000. In accordance with the leases, AmeriCold Logistics deferred payment of \$32,248,000 of 2002 rent due to the landlord, of which our share was \$19,349,000 and \$18,505,000 of rent due for the six months ended June 30, 2003, of which our share was \$11,103,000. Based on the joint venture's policy of recognizing rental income when earned and collection is assured or cash is received, the joint venture did not recognize this rent in the year ended December 31, 2002 or the quarter ended June 30, 2003. At June 30, 2003, our share of the joint venture's total deferred rent receivable from the tenant is \$35,452,000. On December 31, 2001, the landlord released the tenant from its obligation to pay \$39,812,000 of rent deferred in 2001 and 2000, of which our share was \$23,887,000. This amount equaled the rent which was not recognized as income by the joint venture and accordingly had no profit and loss effect to us. On March 7, 2003, AmeriCold Logistics and the Landlord extended the deferred rent period to December 31, 2004 from December 31, 2003.

To the extent that the operations of AmeriCold Logistics may affect its ability to pay rent, including percentage rent due under the leases, we indirectly bear the risks associated with AmeriCold Logistics' cold storage business. The cold storage business is extremely competitive. Factors affecting AmeriCold Logistics' ability to compete include, among others, (a) warehouse locations, (b) customer mix and (c) availability, quality and price of additional services.

WE MAY NOT BE ABLE TO OBTAIN CAPITAL TO MAKE INVESTMENTS.

We depend primarily on external financing to fund the growth of our

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business. This is because one of the requirements of the Internal Revenue Code of 1986, as amended, for a REIT is that it distribute 90% of its net taxable income, excluding net capital gains, to its shareholders. Our access to debt or equity financing depends on banks' willingness to lend and on conditions in the capital markets. We and other companies in the real estate industry have experienced limited availability of bank loans and capital markets financing from time to time. Although we believe that we will be able to finance any investments we wish to make in the foreseeable future, financing other than what we already have available might 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" in our annual report on

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Form 10-K for the year ended December 31, 2002 and quarterly report on Form 10-Q for the quarter ended June 30, 2003 and the notes to the consolidated financial statements in the same reports.

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 June 30, 2003, Interstate Properties, a New Jersey general partnership, and its partners owned approximately 12.9% of the common shares of Vornado Realty Trust and approximately 27.5% of the common stock of Alexander's, Inc., and beneficially owned approximately 7.9% of the common stock of Vornado Operating (approximately 17.0% assuming redemption of 447,017 units of Vornado Operating L.P., the operating subsidiary of Vornado Operating, that are beneficially owned by Interstate Properties and redeemable for common stock of Vornado Operating). Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, the managing general partner of Interstate Properties, the Chief Executive Officer and a director of Alexander's and the Chairman of the Board and Chief Executive Officer of Vornado Operating. Mr. Wight is a trustee of Vornado Realty Trust and is also a director of both Alexander's and Vornado Operating. Mr. Mandelbaum is a trustee of Vornado Realty Trust and is also a director of Alexander's.

As of June 30, 2003, we owned 33.1% 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 six properties, which are located in the New York City metropolitan area. Mr. Roth and Michael D. Fascitelli, the President and a trustee of Vornado Realty Trust, are directors of Alexander's. Messrs. Mandelbaum, Richard R. West and Wight are trustees of Vornado Realty Trust and are also directors of Alexander's.

Because of these overlapping interests, Mr. Roth and Interstate Properties may have substantial influence over Vornado Realty Trust, Alexander's and Vornado Operating and on the outcome of any matters submitted to Vornado Realty Trust's, Alexander's or Vornado Operating's 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 security holders. In addition, Mr. Roth and Interstate Properties may in the future engage in a wide variety of activities

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in the real estate business which may result in conflicts of interest with respect to matters affecting Vornado Realty Trust, Alexander's or Vornado Operating, 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, by Vornado Realty Trust, Interstate Properties, Alexander's and Vornado Operating, 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 Vornado Realty Trust 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 \$1,450,000 of management fees under the management agreement for the year ended December 31, 2002 and \$563,000 for the six months ended June 30, 2003. Because Vornado Realty Trust and Interstate Properties are controlled by the same persons, as described above, the terms of the management agreement and any future agreements between us and Interstate Properties may not be comparable to those we could have negotiated with an unaffiliated third party.

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WE ENGAGE IN TRANSACTIONS WITH VORNADO OPERATING ON TERMS THAT MAY OR MAY NOT BE COMPARABLE TO THOSE WE COULD NEGOTIATE WITH UNAFFILIATED THIRD PARTIES.

In October 1998, Vornado Operating was spun off from Vornado Realty Trust in order to own assets that Vornado Realty Trust could not itself own and conduct activities that Vornado Realty Trust could not itself conduct.

In addition to being trustees of Vornado Realty Trust, Messrs. Roth, Fascitelli, West and Wight are directors of Vornado Operating. Mr. Roth is also Chairman of the Board and Chief Executive Officer of Vornado Operating, Mr. Fascitelli is also President of Vornado Operating, and certain other members of Vornado Realty Trust's senior management hold corresponding positions with Vornado Operating.

Vornado Realty L.P. entered into a \$75,000,000 unsecured revolving credit facility with Vornado Operating that expires on December 31, 2004. Borrowings under the revolving credit agreement bear interest at LIBOR plus 3%. Vornado Realty L.P. receives an annual commitment fee equal to 1% on the average daily unused portion of the facility. Vornado Operating is not required to pay any amortization under the revolving credit agreement during its term. The revolving credit agreement prohibits Vornado Operating from incurring indebtedness to third parties, other than certain purchase money debt and certain other exceptions, and prohibits Vornado Operating from paying dividends. As of July 31, 2003, there was no outstanding balance under the revolving credit agreement.

Vornado Realty L.P. and Vornado Operating are parties to an agreement under which, among other things, (a) Vornado Realty L.P. will offer Vornado Operating, under certain circumstances, an opportunity to become the lessee of certain real property owned now or in the future by Vornado Realty L.P. under mutually satisfactory lease terms and (b) Vornado Operating will not make any real estate investment or other investments known as REIT-qualified investments unless it first offers Vornado Realty L.P. the opportunity to make the investment and Vornado Realty L.P. has rejected that opportunity. Under this agreement, Vornado Realty L.P. provides Vornado Operating with administrative, corporate, accounting, financial, insurance, legal, tax, data processing, human resources

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and operational services. For these services, Vornado Operating compensates Vornado Realty L.P. in an amount determined in good faith by Vornado Realty L.P. as the amount an unaffiliated third party would charge Vornado Operating for comparable services and reimburses Vornado Realty L.P. for certain costs incurred and paid to third parties on behalf of Vornado Operating. Under this agreement, compensation for these services was approximately \$330,000, \$371,000 and \$330,000 for the years ended December 31, 2000, 2001 and 2002, respectively, and \$82,500 for the three months ended June 30, 2003. Vornado Operating and Vornado Realty L.P. each have the right to terminate this agreement if the other party is in material default of the agreement or upon 90 days' written notice to the other party at any time after December 31, 2003. In addition, Vornado Realty L.P. has the right to terminate this agreement upon a change in control of Vornado Operating.

Vornado Operating's restated certificate of incorporation specifies that one of its corporate purposes is to perform this agreement and, for so long as the agreement remains in effect, prohibits Vornado Operating from making any real estate investment or other REIT-qualified investment without first offering the opportunity to Vornado Realty L.P. in the manner specified in this agreement.

We and Vornado Operating may enter into additional transactions in the future. Because we and Vornado Operating share common senior management and because a majority of the trustees of Vornado Realty Trust also constitute the majority of the directors of Vornado Operating, the terms of the foregoing agreements and any future agreements between us and Vornado Operating may not be comparable to those we could have negotiated with an unaffiliated third party.

THERE MAY BE CONFLICTS OF INTEREST BETWEEN ALEXANDER'S, INC. AND US.

As of June 30, 2003, we owned 33.1% 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 six properties. Interstate Properties, which is further described above, owned an additional 27.5% of the

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outstanding common stock of Alexander's as of June 30, 2003. Mr. Roth, Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, is Chief Executive Officer and a director of Alexander's, and Mr. Fascitelli, President and a trustee of Vornado, is President and a director of Alexander's. Messrs. Mandelbaum, West and Wight, trustees of Vornado Realty Trust, are also directors of Alexander's. Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX."

At June 30, 2003, Vornado Realty L.P. had loans receivable from Alexander's of \$124,000,000 at an interest rate of 12.48%. These loans mature on the earlier of January 3, 2006 or the date that Alexander's Lexington Avenue construction loan is repaid in full. Vornado Realty L.P. manages, develops and leases the Alexander's properties under management and development agreements and leasing agreements under which Vornado Realty L.P. receives annual fees from Alexander's. These agreements have a one-year term expiring in March of each year, except that the Lexington Avenue management and development agreements have a term lasting until substantial completion of development of the Lexington Avenue property, and are all automatically renewable. Because Vornado Realty Trust and Alexander's share common senior management and because a majority of the trustees of Vornado Realty Trust also constitute the 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

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have negotiated with an unaffiliated third party.

For a description of Interstate Properties' ownership of Vornado Realty Trust, Vornado Operating 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.

ARCHSTONE-SMITH TRUST PROVIDES SERVICES TO US UNDER AGREEMENTS THAT WERE NOT NEGOTIATED AT ARM'S LENGTH.

We have agreements with the Archstone-Smith Trust under which we lease office space to Archstone-Smith Trust and share the cost of certain office-related services with it that were not negotiated at arms' length. These agreements were entered into by Charles E. Smith Commercial Realty in 1997, before our January 1, 2002 acquisition of Charles E. Smith Commercial Realty, at a time when Mr. Smith and Mr. Kogod were in control of both Charles E. Smith Commercial Realty and the Charles E. Smith Residential Division of Archstone-Smith. Mr. Smith and Mr. Kogod, who became members of the board of trustees of Vornado Realty Trust on January 1, 2002, are also trustees and shareholders of Archstone-Smith Trust.

OUR ORGANIZATIONAL AND FINANCIAL STRUCTURE GIVES RISE TO OPERATIONAL AND FINANCIAL RISKS.

EACH OF VORNADO REALTY TRUST AND VORNADO REALTY L.P. DEPENDS ON ITS DIRECT AND INDIRECT SUBSIDIARIES' DIVIDENDS AND DISTRIBUTIONS, AND THESE SUBSIDIARIES' CREDITORS AND PREFERRED SECURITY HOLDERS ARE ENTITLED TO PAYMENT OF AMOUNTS PAYABLE TO THEM BY THE SUBSIDIARIES BEFORE THE SUBSIDIARIES MAY PAY ANY DIVIDENDS OR DISTRIBUTIONS TO VORNADO REALTY TRUST AND VORNADO REALTY L.P.

Substantially all of Vornado Realty Trust's assets consist of partnership interests in Vornado Realty L.P. Vornado Realty L.P. holds substantially all of its properties and assets through subsidiaries. Vornado Realty L.P. therefore depends for substantially all of its cash flow on cash distributions to it by its subsidiaries and Vornado Realty Trust in turn depends for substantially all of its cash flow on cash distributions to it by Vornado Realty L.P. The creditors of each of our direct and indirect subsidiaries are entitled to payment of that subsidiary's obligations to them, when due and payable, before that subsidiary may make distributions to Vornado Realty L.P. Thus, Vornado Realty L.P.'s ability to make distributions to its security holders, including Vornado Realty Trust and other unit holders of Vornado Realty L.P. and holders of any debt securities of Vornado Realty L.P., depends on its subsidiaries' ability first to satisfy their obligations to their creditors and then to make distributions to Vornado Realty L.P. Likewise, Vornado Realty Trust's ability to pay dividends to holders of its common and preferred shares depends on Vornado Realty L.P.'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 Vornado Realty L.P. are entitled to receive preferred distributions before payment of distributions to holders of common units of Vornado Realty L.P., including Vornado Realty Trust. Thus, Vornado Realty Trust's ability to pay dividends to holders of its common and preferred shares depends on Vornado Realty L.P.'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. There are currently 17 series of preferred units of Vornado Realty L.P. not held by Vornado Realty Trust that have preference over Vornado Realty Trust's common

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shares. The total liquidation value of these 17 series of preferred units is approximately \$1,490,184,000.

In addition, Vornado Realty L.P. may participate in any distribution of the assets of any of Vornado Realty L.P.'s direct or indirect subsidiaries upon the liquidation, reorganization or insolvency of the subsidiary, and consequently Vornado Realty L.P. security holders may participate in those assets, only after the claims of the creditors, including trade creditors, and preferred security holders, if any, of the subsidiary are satisfied.

Vornado Realty L.P.'s debt securities are obligations of Vornado Realty L.P. only, and its subsidiaries are not obligated to pay any amounts due under the debt securities or to make funds available for those payments in the form of dividends or advances to Vornado Realty L.P. See "-- We have indebtedness, and this indebtedness may increase" below for more information about indebtedness of Vornado Realty L.P.

WE HAVE INDEBTEDNESS, AND THIS INDEBTEDNESS MAY INCREASE.

As of June 30, 2003, Vornado Realty L.P. and its wholly-owned subsidiaries had approximately \$4.94 billion in total debt outstanding. Our ratio of total debt to total enterprise value was 41%. When we say "enterprise value" in the preceding sentence, we mean market equity value of Vornado Realty Trust plus debt less cash. In the future, we may incur additional debt, and thus increase our ratio of total debt to total enterprise value, to finance acquisitions or property developments. We may review and modify our debt level from time to time without notice to or any vote of our security holders. Unless otherwise described in any prospectus supplement relating to debt securities of Vornado Realty L.P., the indentures and debt securities do not limit our ability to incur additional debt.

Except as described in this prospectus under the heading "Description of Debt Securities of Vornado Realty L.P. -- Mergers and Similar Transactions" or in any applicable prospectus supplement, the indentures do not contain provisions that would afford you protection in the event of:

- a highly leveraged or similar transaction involving Vornado Realty L.P. or any of its affiliates;
- a change of control of Vornado Realty L.P.; or
- a reorganization, restructuring, merger or similar transaction involving Vornado Realty L.P. or Vornado Realty Trust that may adversely affect you.

LOSS OF OUR KEY PERSONNEL COULD HARM OUR OPERATIONS.

We are dependent on the efforts of Steven Roth, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado Realty Trust, and Michael D. Fascitelli, the President 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.

VORNADO REALTY TRUST MIGHT FAIL TO QUALIFY OR REMAIN QUALIFIED AS A REIT.

Although we believe that Vornado Realty Trust will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, Vornado Realty Trust might 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. Vornado's qualification as a REIT also depends on various facts and circumstances that are

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not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court

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decisions might significantly change the tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualification as a REIT.

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

VORNADO'S CHARTER DOCUMENTS AND APPLICABLE LAW MAY HINDER ANY ATTEMPT TO ACQUIRE VORNADO.

Generally, for Vornado Realty Trust to maintain its qualification as a REIT under the Internal Revenue Code, not more than 50% in value of Vornado Realty Trust's outstanding shares of beneficial interest 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 or 9.9% of the outstanding preferred shares, 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."

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 our shareholders.

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;
- to classify or reclassify, in one or more series, any unissued preferred shares;
- to set the preferences, rights and other terms of any classified or

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reclassified shares that Vornado Realty Trust issues; and

- to increase, without shareholder approval, the number of shares of beneficial interest that Vornado 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 our 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.

Under the Maryland General Corporation Law, as amended, which we refer to as the "MGCL," as applicable to real estate investment trusts, certain "business combinations," including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland real estate investment trust and any person who beneficially owns ten percent

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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 shares of beneficial interest of the trust and (b) two-thirds of the votes entitled to be cast by holders of voting shares of the trust other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected, unless, among other conditions, 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 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. The Vornado 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 which may not be in the best interest of 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.

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THE NUMBER OF SHARES OF VORNADO REALTY TRUST AND THE MARKET FOR THOSE SHARES GIVE RISE TO VARIOUS RISKS.

VORNADO REALTY TRUST HAS MANY SHARES AVAILABLE FOR FUTURE SALE, WHICH COULD HURT THE MARKET PRICE OF THE SHARES.

As of July 31, 2003, 27,373,831 of Vornado Realty Trust's common shares were reserved for issuance upon redemption of Vornado Realty L.P. units. Some of these shares may be sold in the public market after registration under the Securities Act under registration rights agreements between Vornado Realty Trust and some holders of units of Vornado Realty L.P. These shares may also be sold in the public market under Rule 144 under the Securities Act or other available exemptions from registration. In addition, Vornado Realty Trust has reserved a number of common shares for issuance under our employee benefit plans, and these common shares will be available for sale from time to time. We have awarded shares of restrictive stock and granted options to purchase additional common shares to some of our executive officers and employees. We cannot predict the effect that future sales of Vornado Realty Trust's common shares, or the perception that sales of common shares could occur, will have on the market prices of the common shares.

CHANGES IN MARKET CONDITIONS COULD HURT THE MARKET PRICE OF VORNADO REALTY TRUST'S SHARES.

The value of our shares depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of our shares are the following:

- the extent of institutional investor interest in Vornado Realty Trust;
- the reputation of REITs generally and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities (including in connection with any possible change in the taxation of dividends, as discussed below);

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- our financial condition and performance;
- prevailing interest rates; and
- general financial market conditions.

In particular, the Jobs and Growth Tax Relief and Reconciliation Act of 2003 which was signed into law by President Bush on May 28, 2003 provides favorable income tax rates for certain corporate dividends received by individuals through December 31, 2008. Under the Act, REIT dividends are not eligible for the preferential rates applicable to dividends unless the dividends are attributable to income that has been subject to corporate-level tax. As a result, substantially all of the distributions paid on our shares are not expected to qualify for such lower rates. This Act could cause stock in non-REIT corporations to be more attractive to investors than stock in REITs, which may negatively affect the value of and the market for our shares.

In addition, the stock market in recent years has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies.

INCREASED MARKET INTEREST RATES MAY HURT THE VALUE OF OUR SHARES.

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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 not, however, result in more funds for us to distribute and, in fact, would likely increase our borrowing costs and might decrease our funds available for distribution. Thus, higher market interest rates could cause the market price of our shares to decline.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

Vornado Realty Trust is a fully-integrated real estate investment trust organized under the laws of Maryland. Vornado Realty Trust conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P. Vornado Realty Trust is the sole general partner of, and owned approximately 81% of the common limited partnership interest in, Vornado Realty L.P. as of June 30, 2003.

Vornado Realty Trust, through Vornado Realty L.P., currently owns directly or indirectly:

- Office Properties:
 - all or portions of 76 office properties in the New York City metropolitan area (primarily Manhattan) and in the Washington, D.C. and Northern Virginia area aggregating approximately 27.7 million square feet;
 - Retail Properties:
 - 62 retail center properties in six states and Puerto Rico aggregating approximately 12.5 million square feet, including 1.8 million square feet built by tenants on land leased from Vornado;
 - Merchandise Mart Properties:
 - the Merchandise Mart Properties portfolio containing approximately 8.6 million square feet, including the 3.4 million square foot Merchandise Mart in Chicago;
 - Temperature Controlled Logistics:
 - a 60% interest in the Vornado Crescent Portland Partnership that owns 88 cold storage warehouses nationwide with an aggregate of approximately 441.5 million cubic feet of refrigerated space leased to AmeriCold Logistics;
 - Other Real Estate Investments:
 - 33.1% of the outstanding common stock of Alexander's, Inc.;
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- the Hotel Pennsylvania in New York City consisting of a hotel portion containing 1,000,000 square feet with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space;
 - a 22.6% interest in The Newkirk Master Limited Partnership, which owns office, retail and industrial properties and various debt interests in

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those properties;

- eight dry warehouse/industrial properties in New Jersey containing approximately 2.0 million square feet; and
- other investments including interests in other real estate, marketable securities and loans and rates receivable.

Our principal executive offices are located at 888 Seventh Avenue, New York, New York 10019, and our telephone number is (212) 894-7000.

RATIOS OF EARNINGS TO COMBINED
FIXED CHARGES AND PREFERENCE DIVIDENDS

Vornado Realty Trust's consolidated ratio of earnings to combined fixed charges and preference dividends for each of the fiscal years ended December 31, 1998, 1999, 2000, 2001 and 2002 and the three-month period ended June 30, 2003 are as follows:

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED
	1998	1999	2000	2001	2002	JUNE 30, 2003
Ratio of earnings to combined fixed charges and preference dividends (unaudited).....	1.88	1.73	1.62	1.68	1.68	2.03

For purposes of calculating these ratios, (a) earnings represent income from continuing operations before income taxes, plus fixed charges, and (b) fixed charges represent interest expense on all indebtedness, including amortization of deferred debt issuance costs, and the portion of operating lease rental expense that management considers representative of the interest factor, which is one-third of operating lease rentals.

USE OF PROCEEDS

Vornado Realty Trust is required by the terms of the partnership agreement of Vornado Realty L.P. to contribute the net proceeds of any sale of common shares, preferred shares or depositary shares to Vornado Realty L.P. in exchange for additional units or preferred units, as the case may be. As will be more fully described in the applicable prospectus supplement, Vornado Realty Trust and Vornado Realty L.P. intend to use the net proceeds from the sale of securities for general trust or partnership purposes or other uses. These other uses may include, among others, the funding of an acquisition or the repayment of indebtedness.

DESCRIPTION OF DEBT SECURITIES OF VORNADO REALTY L.P.

Please note that in this section entitled "Description of Debt Securities of Vornado Realty L.P.," references to Vornado Realty L.P., "we", "our" and "us" refer only to Vornado Realty L.P. and not to its subsidiaries or Vornado Realty Trust unless the context requires otherwise. Also, in this section, references to "holders" mean those who own debt securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in debt securities registered in street name or in debt

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securities issued in book-entry form through one or more depositaries. Owners of beneficial interests in the debt securities should read the section below entitled "Legal Ownership and Book-Entry Issuance."

DEBT SECURITIES MAY BE SENIOR OR SUBORDINATED

We may issue senior or subordinated debt securities. Neither the senior debt securities nor the subordinated debt securities will be secured by any property or assets of Vornado Realty Trust or any of its subsidiaries, including Vornado Realty L.P. Thus, by owning a debt security, you are an unsecured creditor of Vornado Realty L.P.

Neither any limited or general partner of Vornado Realty L.P., including Vornado Realty Trust, nor any principal, shareholder, officer, director, trustee or employee of any limited or general partner of Vornado Realty L.P. or of any successor of any limited or general partner of Vornado Realty L.P. has any obligation for payment of debt securities or for any of Vornado Realty L.P.'s obligations, covenants or agreements contained in the debt securities or the applicable indenture. By accepting the debt securities, you waive and release all liability of this kind. The waiver and release are part of the consideration for the issuance of debt securities.

The senior debt securities will be issued under our senior debt indenture described below and will rank equally with all of our other unsecured and unsubordinated debt.

The subordinated debt securities will be issued under our subordinated debt indenture described below and will be subordinate in right of payment to all of our "senior indebtedness," as defined in the subordinated debt indenture. The prospectus supplement for any series of subordinated debt securities or the information incorporated in this prospectus by reference will indicate the approximate amount of senior indebtedness outstanding as of the end of our most recent fiscal quarter. As of July 31, 2003, \$542,892,333 or 100% of Vornado Realty L.P.'s total indebtedness constituted senior indebtedness. Neither indenture limits Vornado Realty L.P.'s ability to incur additional senior indebtedness, unless otherwise described in the prospectus supplement relating to any series of debt securities. Vornado Realty L.P.'s senior indebtedness is, and any additional senior indebtedness will be, structurally subordinate to the indebtedness of Vornado Realty L.P.'s subsidiaries. See -- Vornado Realty L.P.'s Debt Securities Are Structurally Subordinated to Indebtedness of Vornado Realty L.P.'s Subsidiaries below.

When we refer to "debt securities" in this prospectus, we mean both the senior debt securities and the subordinated debt securities.

THE SENIOR DEBT INDENTURE AND THE SUBORDINATED DEBT INDENTURE

The senior debt securities and the subordinated debt securities are each governed by a document called an indenture -- the senior debt indenture, in the case of the senior debt securities, and the subordinated debt indenture, in the case of the subordinated debt securities. Each indenture is a contract between Vornado Realty L.P. and The Bank of New York, which will initially act as trustee. The indentures are substantially identical, except for the provisions relating to subordination, which are included only in the subordinated debt indenture.

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The trustee under each indenture has two main roles:

- First, the trustee can enforce your rights against us if we default.

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There are some limitations on the extent to which the trustee acts on your behalf, which we describe later under "-- Default, Remedies and Waiver of Default."

- Second, the trustee performs administrative duties for us, such as sending interest payments and notices.

See "-- Our Relationship with the Trustee" below for more information about the trustee.

When we refer to the indenture or the trustee with respect to any debt securities, we mean the indenture under which those debt securities are issued and the trustee under that indenture.

WE MAY ISSUE MANY SERIES OF DEBT SECURITIES

We may issue as many distinct series of debt securities under either debt indenture as we wish. This section of the prospectus summarizes terms of the securities that apply generally to all series. The provisions of each indenture allow us not only to issue debt securities with terms different from those of debt securities previously issued under that indenture, but also to "reopen" a previous issue of a series of debt securities and issue additional debt securities of that series. We will describe most of the financial and other specific terms of a series, whether it be a series of