VORNADO REALTY TRUST

FORM 10-Q
(Quarterly Report)

Filed 05/01/02 for the Period Ending 03/31/02

Address	888 SEVENTH AVE
	NEW YORK, NY 10019
Telephone	212-894-7000
CIK	0000899689
Symbol	VNO
SIC Code	6798 - Real Estate Investment Trusts
Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

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(Quarterly Report)

Filed 5/1/2002 For Period Ending 3/31/2002

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: MARCH 31, 2002

or

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ TO ________________________

Commission File Number: 001-11954

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

MARYLAND	22-1657560
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
888 SEVENTH AVENUE, NEW YORK, NEW YORK	10019
(Address of principal executive offices)	(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

[X] Yes [ ] No

As of April 29, 2002, 106,513,918 of the registrant's common shares of beneficial interest are outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share and per share amounts)	MARCH 31, 2002	DECEMBER 31, 2001
ASSETS		
Real estate, at cost:		
Land	$ 1,500,874	$ 895,831
Buildings and improvements	5,184,332	3,480,249
Development costs and construction in progress	303,164	258,357
Leasehold improvements and equipment	250,252	55,774
Total	7,238,622	4,690,211
Less accumulated depreciation and amortization	(592,897)	(506,225)
Real estate, net	6,645,725	4,183,986
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of $17,901 and $15,235	171,200	265,584
Escrow deposits and restricted cash	249,955	204,463
Marketable securities	130,144	126,774
Investments and advances to partially-owned entities, including Alexander's of $185,884 and $188,522	896,355	1,270,195
Due from Officers	18,151	18,197
Accounts receivable, net of allowance for doubtful accounts of $10,124 and $8,831	74,130	47,406
Notes and mortgage loans receivable	313,965	258,555
Receivable arising from the straight-lining of rents	148,222	138,154
Other assets	282,760	264,029
	$ 8,930,607	$ 6,777,343
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	$ 3,970,486	$ 2,477,173
Revolving credit facility	--	--
Accounts payable and accrued expenses	178,671	179,597
Officers' compensation payable	9,664	6,708
Deferred leasing fee income	11,759	11,940
Other liabilities	51,841	51,895
Total liabilities	4,222,421	2,727,313
Minority interest of unitholders in the Operating Partnership	2,084,924	1,479,658
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 45,000,000 shares;		
Series A: liquidation preference $50.00 per share; issued and outstanding 2,314,498 and 5,520,435 shares	115,728	276,024
Series B: liquidation preference $25.00 per share; issued and outstanding 3,400,000 shares	81,805	81,805
Series C: liquidation preference $25.00 per share; issued and outstanding 4,600,000 shares	111,148	111,148
Common shares of beneficial interest: $.04 par value per share; authorized, 150,000,000 shares; issued and outstanding, 105,918,233 and 99,035,023 shares	4,237	3,961
Additional capital	2,420,754	2,162,512
Distributions in excess of net income	(120,368)	(95,647)
	2,613,304	2,539,803
Deferred compensation shares earned but not yet delivered	38,253	38,253
Deferred compensation shares issued but not yet earned	(23,536)	--
Accumulated other comprehensive loss	(55)	(2,980)
Due from officers for purchase of common shares of beneficial interest	(4,704)	(4,704)
Total shareholders' equity	2,623,262	2,570,372
	$ 8,930,607	$ 6,777,343

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands except per share amounts)

	FOR THE THREE MONTHS ENDED MARCH 31, 2002	2001
Revenues:		
Rentals	$ 301,760	$ 204,718
Expense reimbursements	37,804	35,092
Other income (including fee income from related parties of $203 and $370)	6,760	2,800
Total revenues	346,324	242,610
Expenses:		
Operating	127,446	99,823
Depreciation and amortization	47,588	31,865
General and administrative	23,467	14,808
Amortization of officer's deferred compensation expense	6,875	--
Costs of acquisitions not consummated	--	5,000
Total expenses	205,376	151,496
Operating income	140,948	91,114
Income applicable to Alexander's	5,568	12,304
Income from partially-owned entities	13,786	23,990
Interest and other investment income	9,643	13,473
Interest and debt expense	(58,018)	(49,395)
Net gain (loss) on disposition of wholly-owned and partially-owned assets	1,531	(4,723)
Minority interest:		
Perpetual preferred unit distributions	(18,460)	(17,326)
Minority limited partnership earnings	(14,477)	(9,629)
Partially-owned entities	(989)	(359)
Income before cumulative effect of change in accounting principle and extraordinary item	79,532	59,449
Cumulative effect of change in accounting principle	(30,129)	(4,110)
Extraordinary item	--	1,170
Net income	49,403	56,509
Preferred share dividends (including accretion of issuance expenses of $0 and $719)	(6,131)	(9,673)
NET INCOME applicable to common shares	$ 43,272	$ 46,836
NET INCOME PER COMMON SHARE - BASIC	$ .42	$ .54
NET INCOME PER COMMON SHARE - DILUTED	$ .40	$ .52
DIVIDENDS PER COMMON SHARE	$ .66	$ .53

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	FOR THE THREE MONTHS ENDED MARCH 31, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 49,403	$ 56,509
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	30,129	4,110
Extraordinary item	--	(1,170)
Minority interest	33,926	27,314
Net (gain) loss on disposition of wholly-owned and partially-owned assets	(1,531)	4,723
Depreciation and amortization	47,588	31,865
Amortization of Officer's deferred compensation expense	6,875	--
Straight-lining of rental income	(10,068)	(7,895)
Equity in income of Alexander's	(5,568)	(12,304)
Equity in income of partially-owned entities	(13,786)	(23,990)
Changes in operating assets and liabilities	(42,106)	5,215
Net cash provided by operating activities	94,862	84,377
CASH FLOWS FROM INVESTING ACTIVITIES:		
Development costs and construction in progress	(22,622)	(40,577)
Investments in partially-owned entities	(5,352)	(13,378)
Distributions from partially-owned entities	44,219	17,163
Investment in notes and mortgage loans receivable	(55,236)	(10,069)
Repayment of notes and mortgage loans receivable	2,500	1,000
Cash restricted for tenant improvements	(8,432)	29,095
Additions to real estate	(16,672)	(27,161)
Purchases of marketable securities	--	(5,000)
Proceeds from sale of marketable securities	--	742
Real estate deposits and other	--	1,476
Net cash used in investing activities	(61,595)	(46,709)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	56,658	--
Proceeds from borrowings	--	74,160
Repayments of borrowings	(45,090)	(56,513)
Distributions to minority partners	(42,945)	(27,290)
Dividends paid on common shares	(99,084)	(45,191)
Dividends paid on preferred shares	(6,131)	(8,972)
Exercise of stock options	8,941	1,132
Net cash used in financing activities	(127,651)	(62,674)
Net decrease in cash and cash equivalents	(94,384)	(25,006)
Cash and cash equivalents at beginning of period	265,584	136,989
Cash and cash equivalents at end of period	$ 171,200	$ 111,983
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest (including capitalized interest of $2,505 in 2002 and $3,570 in 2001)	$ 56,005	$ 50,385
NON-CASH TRANSACTIONS:		
Class A units issued in acquisitions	$ 607,155	$ --
Financing assumed in acquisitions	991,980	--
Unrealized gain on securities available for sale	2,925	677

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Vornado Realty Trust is a fully-integrated real estate investment trust ("REIT"). Vornado conducts its business through Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Vornado is the sole general partner of, and owned approximately 79% of the common limited partnership interest in, the Operating Partnership at March 31, 2002. All references to the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

2. BASIS OF PRESENTATION

The consolidated balance sheet as of March 31, 2002, the consolidated statements of income for the three months ended March 31, 2002 and 2001 and the consolidated statements of cash flows for the three months ended March 31, 2002 and 2001 are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Vornado's annual report on Form 10-K for the year ended December 31, 2001 as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2002 are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado Realty L.P., as well as entities in which the Company has a 50% or greater interest, provided that the Company exercises control (where the Company does not exercise control, such entities are accounted for under the equity method). All significant intercompany amounts have been eliminated. Equity interests in partially-owned corporate entities are accounted for under the equity method of accounting when the Company's ownership interest is more than 20% but less than 50%. When partially-owned investments are in partnership form, the 20% threshold may be reduced. For all other investments, the Company uses the cost method. Equity investments are recorded initially at cost and subsequently adjusted for the Company's share of the net income or loss and cash contributions and distributions to or from these entities.

Management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, as amended, which establishes accounting and reporting standards requiring every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company's investment securities include stock purchase warrants received from companies that provide fiber-optic network and broadband access to the Company's Office division tenants. SFAS No. 133 requires these warrants to be marked-to-market at each reporting period with the change in value recognized currently in earnings. The Company has previously marked-to-market changes in value through accumulated other comprehensive loss. Under SFAS No. 133, those changes are recognized through earnings, and accordingly, the Company has reclassified $4,110,000 from accumulated other comprehensive loss to the consolidated statement of income as of January 1, 2001. Future changes in value of such securities will be recorded through earnings.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (effective January 1, 2002). SFAS No. 142 specifies that goodwill and some intangible assets will no longer be amortized but instead be subject to periodic impairment testing. In the first quarter of 2002, the Company wrote-off goodwill of approximately $30,129,000 of which (i) $15,490,000 represents its share of the goodwill arising from the Company's investment in Temperature Controlled Logistics and (ii) $14,639,000 represents goodwill arising from the Company's acquisition of the Hotel Pennsylvania. The write-off has been reflected as a cumulative effect of a change in accounting principle. Earnings allocable to the minority limited partners has been reduced by their pro-rata share of the write-off of goodwill. Previously reported Net Income Applicable to Common Shares for the three months ended March 31, 2001 would have been approximately $300,000 higher if such goodwill was not amortized in the prior year's quarter.

In August 2001, FASB issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS (effective January 1, 2003) and SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period which it is incurred. SFAS No. 144 supersedes current accounting literature and now provides for a single accounting model for long-lived assets to be disposed of by sale and requires discontinued operations presentation for disposals of a "component" of an entity. The adoption of these statements did not have a material effect on the Company's financial statements; however under SFAS No. 144, if the Company were to dispose of a material operating property, such property's results of operations will have to be separately disclosed as discontinued operations in the Company's financial statements.

4. ACQUISITIONS, DISPOSITIONS AND FINANCINGS

ACQUISITIONS

CHARLES E. SMITH COMMERCIAL REALTY L.P.

On January 1, 2002, the Company completed the combination of Charles E. Smith Commercial Realty L.P. ("CESCR") with Vornado. Prior to the combination, Vornado owned a 34% interest in CESCR. The consideration for the remaining 66% of CESCR was approximately $1,600,000,000, consisting of 15.6 million newly issued Vornado Operating Partnership units (valued at $607,155,000) and $991,980,000 of debt (66% of CESCR's total debt).

This acquisition was recorded under the purchase method of accounting. The related purchase costs were allocated to acquired assets and assumed liabilities using their relative fair values as of January 1, 2002 based on valuations and other studies certain of which are not yet complete. Accordingly, the initial valuations are subject to change as such information is finalized. The Company believes that any such change will not be significant since the allocations were principally to real estate.

The unaudited pro forma information set forth below presents the condensed consolidated statements of income for the Company for the three months ended March 31, 2001 as if the acquisition of the CESCR described above had occurred on January 1, 2001.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)	For the Three Months Ended March 31, 2002	Pro Forma 2001
Revenues	$ 346,324	$ 337,594
Income before cumulative effect of change in accounting principle and extraordinary item	$ 79,532	$ 62,205
Cumulative effect of change in accounting principle	(30,129)	(4,110)
Extraordinary item	--	1,170
Net income	49,403	59,265
Preferred share dividends	(6,131)	(9,673)
Net income per applicable to common shares	$ 43,272	$ 49,592
Net income per common share - basic	$ .42	$ .57
Net income per common share - diluted	$ .40	$ .55

CRYSTAL GATEWAY ONE

On March 7, 2002, the Company acquired for $55,000,000, a mortgage on a 360,000 square foot office building, which is in the Crystal City complex in Arlington, Virginia, together with an option to purchase the property. The Company presently owns 24 office buildings in Crystal City containing over 6.9 million square feet which it acquired on January 1, 2002, in connection with the Company's acquisition of Charles E. Smith Commercial Realty L.P. described above. The Company exercised its option to acquire the property from a limited partnership, which is approximately 50% owned by Messrs. Robert H. Smith and Robert P. Kogod, trustees of the Company, in exchange for approximately $13,700,000 of Vornado Realty L.P. Operating Partnership units. The acquisition of the building is expected to close within 90 days and is subject to receipt of certain consents from third parties and other customary conditions.

DISPOSITIONS

KINZIE PARK CONDOMINIUM UNITS

In the first quarter of this year, the Company recognized a $1,531,000 gain from the sale of residential condominiums in Chicago, Illinois, which is included in the income statement caption "net gain on disposition of wholly-owned and partially-owned assets."

WRITE-OFF INVESTMENTS IN TECHNOLOGY COMPANIES

In the first quarter of 2001, the Company recorded a charge of $4,723,000 resulting from the write-off of an equity investment in a technology company. In the second quarter of 2001, the Company recorded an additional charge of $13,561,000 resulting from the write-off of all of its remaining equity investments in technology companies due to both the deterioration of the financial condition of these companies and the lack of acceptance by the market of certain of their products and services.

FINANCINGS

On February 25, 2002, the Company sold 1,398,743 common shares based on the closing price of $42.96 on the NYSE. The net proceeds to the Company were approximately $57,042,000.

5. INVESTMENTS AND ADVANCES TO PARTIALLY-OWNED ENTITIES

The Company's investments and advances to partially-owned entities and income recognized from such investments are as follows:

INVESTMENTS AND ADVANCES

(amounts in thousands)	March 31, 2002	December 31, 2001
Temperature Controlled Logistics	$ 464,512	$ 474,862
Charles E. Smith Commercial Realty L.P. ("CESCR")(1)	--	347,263
Alexander's	185,884	188,522
Newkirk Joint Ventures (2)	155,225	191,534
Partially-Owned Office Buildings (3)	36,927	23,346
Starwood Ceruzzi Joint Ventures	25,511	25,791
Park Laurel	4,445	(4,745)
Management Companies and Other	23,851	23,622
	$ 896,355	$ 1,270,195

(1) On January 1, 2002, the Company acquired the remaining 66% of CESCR it did not previously own. Accordingly, CESCR is consolidated as of January 1, 2002.

(2) The Company's investment in and advances to Newkirk Joint Ventures is comprised of:

	March 31, 2002	December 31, 2001
Investments in limited partnerships	$ 108,798	$ 145,107
Mortgages and loans receivable	39,511	39,511
Other	6,916	6,916
Total	$ 155,225	$ 191,534

On January 2, 2002, the Newkirk Joint Ventures' partnership interests were merged into a master limited partnership (the "MLP") in which the Company has a 21% interest. In conjunction with the merger, the MLP completed a $225,000 mortgage financing collateralized by its properties, subject to the existing first and certain second mortgages on those properties. The loan bears interest at LIBOR plus 5.5% with a LIBOR floor of 3% (8.5% at March 31, 2002) and matures on January 31, 2005, with two one-year extension options. As a result of the financing on February 6, 2002, the MLP repaid approximately $28,200 of existing debt and distributed approximately $37,000 to the Company.

(3) As at March 31, 2002, includes a 20% interest in a property which was part of the CESCR acquisition in 2002.

INCOME

(amounts in thousands)	For The Three Months Ended March 31, 2002	2001
Income applicable to Alexander's:		
33.1% share of equity in income	$ 1,019	$ 7,156(1)
Interest income	2,531	3,427
Management and leasing fee income	2,018	1,721
	$ 5,568	$12,304
Temperature Controlled Logistics:		
60% share of equity in net income (2)	$ 3,807	$ 4,464
Management fee (40% of 1% per annum of Total Combined Assets, as defined)	1,498	1,484
	5,305	5,948
CESCR-34% share of equity in income	--(3)	7,367
Newkirk Joint Ventures:		
Equity in income of limited partnerships	5,429(4)	6,242
Interest and other income	2,271	1,727
	7,700	7,969
Partially-Owned Office Buildings (5)	550	1,264
Management Companies and Other	231	1,442(6)
	$13,786	$23,990

(1) Equity in income includes $6,298 representing the Company's share of Alexander's gain on sale of its Fordham Road property on January 12, 2001 and excludes $1,170 representing the Company's share of Alexander's extraordinary gain on the early extinguishment of debt on this property which is reflected as an extraordinary item on the consolidated statements of income. Management and leasing fee income include a fee of $520 paid to the Company in connection with the sale.
(2) Equity in net income for the three months ended March 31, 2002, reflects an increase in depreciation expense of $175 and a decrease in other non-recurring income of $260 and a decrease in interest income of $200.
(3) On January 1, 2002, the Company acquired the remaining 66% of CESCR. Accordingly, CESCR is consolidated as of January 1, 2002.
(4) Equity in income includes a charge of $590 in connection with the formation of the Master Limited Partnership in January 2002.
(5) 2002 includes a 20% interest in a property which was part of the acquisition of CESCR, and does not include 570 Lexington Avenue which was sold in May 2001.
(6) Includes $1,300 for the Company's share of the Starwood Ceruzzi Joint Venture's gain on the sale of a property.

TEMPERATURE CONTROLLED LOGISTICS

On February 22, 2001, the Vornado/Crescent Partnerships ("Landlord") restructured the AmeriCold Logistics leases to among other things, (i) reduce 2001's contractual rent to $146,000,000, (ii) reduce 2002's contractual rent to $150,000,000 (plus additional contingent rent in certain circumstances), (iii) increase the Landlord's share of annual maintenance capital expenditures by $4,500,000 to $9,500,000 effective January 1, 2000 and (iv) allow AmeriCold Logistics to defer rent to December 31, 2003 to the extent cash is not available, as defined in the leases, to pay such rent. Based on the Company's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize $1,808,000 of rent it was due for the three months ended March 31, 2002, which together with previously deferred rent is $6,809,000.

ALEXANDER'S

Alexander's is managed by and its properties are leased by the Company, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable. Under the management and development agreement, the Company has accrued a receivable of $1,031,000 at March 31, 2002 (of which $690,000 is recognized by the Company as income and the balance is reflected in the "Investment" account), which under the terms of the agreement is payable at completion of construction of Alexander's Lexington Avenue project in 2004. The Company is also owed $1,667,000 under the leasing agreement which is payable in 2002.

At March 31, 2002, the Company has loans receivable from Alexander's of $119,000,000, including $24,000,000 under the $50,000,000 line of credit the Company granted to Alexander's on August 1, 2000. The loan and the line of credit were extended to April 15, 2003. The interest rates on the loan and line of credit were reset on March 15, 2002, from 13.74% to 12.48%, using a LIBOR index (with a 3% floor) plus the same spread to treasuries as previously existed.

On January 12, 2001, Alexander's sold its Fordham Road property for $25,500,000, which resulted in a gain of $19,026,000, of which the Company's share was $6,298,000. In addition, Alexander's paid off the mortgage on this property at a discount, which resulted in an extraordinary gain from the early extinguishment of debt of $3,534,000, of which the Company's share was $1,170,000. The Company also received a commission of $520,000 in connection with this sale.

6. OTHER RELATED PARTY TRANSACTIONS

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a management agreement. Management fees earned by the Company pursuant to the management agreement were $203,000 and $370,000 for the three months ended March 31, 2002 and 2001.

The estate of Bernard Mendik and certain other individuals including Mr. Greenbaum, own an entity which provides cleaning and related services and security services to office properties, including the Company's Manhattan office properties. The Company was charged fees in connection with these contracts of $13,500,000 and $12,900,000 for the three months ended March 31, 2002 and 2001.

Effective January 1, 2002, the Company extended its employment agreement with Mr. Fascitelli for a five year period through December 31, 2006. Pursuant to the extended employment agreement, he is entitled to receive a deferred payment on December 31, 2006 of 626,566 Vornado common shares which are valued for compensation purposes at $27,500,000 (the value of the shares on March 8, 2002, the date the extended employment agreement was signed). The number of shares was set by the Company's Compensation Committee in December 2001 to achieve a value of $25,000,000 and had appreciated $2,500,000 as of March 8, 2002. The shares are being held in an irrevocable trust for the benefit of Mr. Fascitelli and will vest on December 31, 2002. Mr. Fascitelli will also receive regular annual cash compensation as determined by the Company's Compensation Committee and will continue as a member of Vornado's Board. Mr. Fascitelli may also borrow up to $20,000,000 from the Company during the term of his 2002 employment agreement reduced by $8,600,000, the amount of his outstanding loans under his 1996 employment agreement. Each loan will bear interest, payable quarterly, at the applicable Federal Rate on the date the loan is made and will mature on the fifth anniversary of the loan.

7. INCOME PER SHARE

The following table sets forth the computation of basic and diluted income per share:

(amounts in thousands except per share amounts)	For The Three Months Ended March 31, 2002	2001
Numerator:		
Income before cumulative effect of change in accounting principle and extraordinary item	$ 79,532	$ 59,449
Cumulative effect of change in accounting principle	(30,129)	(4,110)
Extraordinary item	--	1,170
Net income	49,403	56,509
Preferred share dividends	(6,131)	(9,673)
Numerator for basic and diluted income per share - net income applicable to common shares	$ 43,272	$ 46,836
Denominator:		
Denominator for basic income per share - weighted average shares	103,053	86,827
Effect of dilutive securities:		
Employee stock options	3,987	2,554
Deferred compensation shares issued but not yet earned	177	--
Denominator for diluted income per share - adjusted weighted average shares and assumed conversions	107,217	89,381
INCOME PER COMMON SHARE - BASIC:		
Income before cumulative effect of change in accounting principle and extraordinary item	$ .71	$ .58
Cumulative effect of change in accounting principle	(.29)	(.05)
Extraordinary item	--	.01
Net income per common share	$ .42	$ .54
INCOME PER COMMON SHARE - DILUTED:		
Income before cumulative effect of change in accounting principle and extraordinary item	$ .68	$ .56
Cumulative effect of change in accounting principle	(.28)	(.05)
Extraordinary item	--	.01
Net income per common share	$ .40	$ .52

8. COMPREHENSIVE INCOME

The following table sets forth the Company's comprehensive income:

(amounts in thousands)	For The Three Months Ended March 31, 2002	2001
Net income applicable to common shares	$ 43,272	$ 46,836
Adjustment to record cumulative effect of change in accounting principle	--	4,110
Other comprehensive income	2,925	518
Comprehensive income	$ 46,197	$ 51,464

9. COMMITMENTS AND CONTINGENCIES

At March 31, 2002, the Company's revolving credit facility had a zero balance, and the Company utilized $80,510,000 of availability under the facility for letters of credit and guarantees.

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

The Company carries comprehensive liability and all risk property insurance (fire, flood, extended coverage and rental loss insurance) with respect to its assets. The Company's all risk insurance policies in effect before September 11, 2001 included coverage for terrorist acts, except for acts of war. Since September 11, 2001, insurance companies are excluding terrorist acts from coverage in all risk policies. In 2002, the Company has been unable to obtain all risk insurance which includes coverage for terrorists acts for policies it has renewed including the New York City Office portfolio and may not be able to obtain such coverage for any of its other properties in the future. In March 2002, however, the Company obtained $200 million of separate coverage for terrorist acts for its New York City Office portfolio. Therefore, the Company is at risk for financial loss in excess of $200 million for terrorist acts (as defined) regarding this portfolio, which loss could be material.

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company) and its revolving credit agreement, contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that an exclusion from all risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments that allows the lenders to declare an event of default and accelerate repayment of debt. In addition, if lenders insist on coverage for these risks, it could adversely affect the Company's ability to finance and/or refinance its properties and to expand its portfolio.

From time to time, the Company has disposed of substantial amounts of real estate to third parties for which, as to certain properties, it remains contingently liable for rent payments or mortgage indebtedness.

There are various legal actions against the Company in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material effect on the Company's financial condition, results of operations or cash flow.

10. SEGMENT INFORMATION

The Company has four business segments: Office, Retail, Merchandise Mart Properties and Temperature Controlled Logistics.

	FOR THE THREE MONTHS ENDED MARCH 31,							
	2002						2001	
(AMOUNTS IN THOUSANDS)	TOTAL	OFFICE	RETAIL	MERCHANDISE MART	TEMPERATURE CONTROLLED LOGISTICS	OTHER(2)	TOTAL	OFFICE
Rentals	$301,760	$213,812	$29,070	$47,010	$ --	$11,868	$204,718	$113,860
Expense reimbursements	37,804	21,407	12,017	3,343	--	1,037	35,092	19,041
Other income	6,760	4,983	214	1,417	--	146	2,800	572
Total revenues	346,324	240,202	41,301	51,770	--	13,051	242,610	133,473
Operating expenses	127,446	82,233	14,681	21,227	--	9,305	99,823	55,761
Depreciation and amortization	47,588	34,130	3,380	6,480	--	3,598	31,865	18,644
General and administrative	23,467	9,110	570	4,811	--	8,976	14,808	3,370
Amortization of officer's deferred compensation expense	6,875	--	--	--	--	6,875	--	--
Costs of acquisitions not consummated	--	--	--	--	--	--	5,000	--
Total expenses	205,376	125,473	18,631	32,518	--	28,754	151,496	77,775
Operating income	140,948	114,729	22,670	19,252	--	(15,703)	91,114	55,698
Income applicable to Alexander's	5,568	--	--	--	--	5,568	12,304	--
Income from partially-owned entities	13,786	550	229	2	5,305(6)	7,700	23,990	8,695
Interest and other investment income	9,643	1,111	79	135	--	8,318	13,473	2,298
Interest and debt expense	(58,018)	(34,762)	(13,693)	(7,183)	--	(2,380)	(49,395)	(16,607)
Net gain on disposition of wholly-owned and partially-owned assets	1,531	--	--	1,531	--	--	(4,723)	--
Minority interest	(33,926)	(32,705)	(3,620)	(5,905)	3,972	4,332	(27,314)	(13,589)
Income before cumulative effect of change in accounting principle and extraordinary item	79,532	48,923	5,665	7,832	9,277	7,835	59,449	36,495
Cumulative effect of change in accounting principle	(30,129)	--	--	--	(15,490)	(14,639)	(4,110)	--
Extraordinary item	--	--	--	--	--	--	1,170	--
Net income	49,403	48,923	5,665	7,832	(6,213)	(6,804)	56,509	36,495
Cumulative effect of change in accounting principle	30,129	--	--	--	15,490	14,639	4,110	--
Extraordinary item	--	--	--	--	--	--	(1,170)	--
Minority interest	33,926	32,705	3,620	5,905	(3,972)	(4,332)	27,314	13,589
Interest and debt expense(4)	74,293	35,266	14,328	7,183	6,559	10,957	73,254	27,447
Depreciation and amortization(4)	60,575	34,594	3,650	6,480	8,909	6,942	47,918	23,644
Straight-lining of rents(4)	(9,039)	(7,310)	(429)	(1,049)	--	(251)	(7,737)	(5,955)
Other	(259)	(1,300)	700	(123)	464	--	(10,557)	(1,590)
EBITDA(1)	$239,028	$142,878	$27,534	$26,228	$21,237	$21,151	$189,641	$ 93,630

	FOR THE THREE MONTHS ENDED MARCH 31,			
	2001			
(AMOUNTS IN THOUSANDS)	RETAIL	MERCHANDISE MART	TEMPERATURE CONTROLLED LOGISTICS	OTHER(2)
Rentals	$28,137	$47,005	$ --	$15,716
Expense reimbursements	11,295	3,973	--	783
Other income	1,429	719	--	80
Total revenues	40,861	51,697	--	16,579
Operating expenses	14,852	21,132	--	8,078
Depreciation and amortization	4,463	6,442	--	2,316
General and administrative	583	4,595	--	6,260(4)
Amortization of officer's deferred compensation expense	--	--	--	--
Costs of acquisitions not consummated	--	--	--	5,000
Total expenses	19,898	32,169	--	21,654
Operating income	20,963	19,528	--	(5,075)
Income applicable to Alexander's	--	--	--	12,304
Income from partially-owned				

entities	1,897	113	5,948	7,337
Interest and other investment income	--	663	--	10,512
Interest and debt expense	(14,149)	(9,669)	--	(8,970)
Net gain on disposition of wholly-owned and partially-owned assets	--	--	--	(4,723)
Minority interest	(3,989)	(3,644)	(3,010)	(3,082)
Income before cumulative effect of change in accounting principle and extraordinary item	4,722	6,991	2,938	8,303
Cumulative effect of change in accounting principle	--	--	--	(4,110)
Extraordinary item	--	--	--	1,170
Net income	4,722	6,991	2,938	5,363
Cumulative effect of change in accounting principle	--	--	--	4,110
Extraordinary item	--	--	--	(1,170)
Minority interest	3,989	3,644	3,010	3,082
Interest and debt expense(4)	14,791	9,669	6,713	14,634
Depreciation and amortization(4)	4,727	6,442	8,408	4,697
Straight-lining of rents(4)	(161)	(1,108)	--	(513)
Other	(500)	--	112	(8,579)(5)
EBITDA(1)	$27,568	$25,638	$21,181	$21,624

See footnotes 1-7 on page 17.

Notes to segment information:

(1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of depreciable real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Other EBITDA is comprised of:

(amounts in thousands)	For the Three Months Ended March 31, 2002	2001
Hotel Pennsylvania (3)	$ 753	$ 5,280
Newkirk Joint Ventures:		
Equity in income of limited partnerships	15,029	13,372
Interest and other income	2,271	1,727
Alexander's	8,006	6,200
Unallocated general and administrative expenses	(7,720)	(7,533)
Amortization of Officer's deferred compensation expense	(6,875)	--
Investment income and other	9,687(7)	12,301
Costs of acquisitions not consummated	--	(5,000)
Write-off of investments in technology companies	--	(4,723)
Total	$ 21,151	$21,624

(3) Average occupancy and REVPAR for the Hotel Pennsylvania were 49.6% and $58 for the three months ended March 31, 2002 compared to 57.5% and $80 for the prior year's quarter.

(4) Interest and debt expense, depreciation and amortization and straight-lining of rents included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.

(5) Includes the elimination of $6,298 representing the Company's share of Alexander's gain on sale of its Fordham Road property on January 12, 2001.

(6) Net of rent not recognized of $1,808 for the three months ended March 31, 2002.

(7) No income was recognized on the Company's loans to Primestone Investment Partners, L.P. and Vornado Operating Company for the three months ended March 31, 2002.

11. SUBSEQUENT EVENT

On April 30, 2002, the Company acquired 7,944,893 partnership units of Prime Group Realty, L.P., the operating partnership of Prime Group Realty Trust (NYSE:PGE), at a foreclosure auction. The partnership units had been pledged to the Company as collateral for loans to Primestone Investment Partners L.P. (Primestone). The price the Company paid for the units was $8.35 per unit, the April 30, 2002 closing price on The New York Stock Exchange of the PGE shares for which the partnership units are exchangeable on a one-for-one basis. Primestone and its affiliated guarantors remain liable for the deficiency under the loans. As previously reported, a subsidiary of Cadim, Inc. owns a 50% participation interest in the loans to Primestone held by the Company. Under the participation arrangement, the Cadim affiliate has the right to acquire 50% of the partnership units that the Company acquired at the foreclosure auction (or the PGE shares into which they may be exchanged).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially form those expressed in these forward-looking statements. You can find may of these statements by looking for words such as "believes," "expects," "anticipates," "intends," "plans" or similar expressions in this quarterly report on Form 10-Q. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those set forth in our Annual Report on Form 10-K under "Forward-Looking Statements." For these statements, we claim protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

OVERVIEW

Below is a summary of net income and EBITDA(1) by segment for the three months ended March 31, 2002 and 2001. Operating results for the three months ended March 31, 2002, reflect the Company's January 1, 2002 acquisition of the remaining 66% of Charles E. Smith Commercial Realty ("CESCR") it did not previously own and the resulting consolidation of CESCR's operations. See Supplemental Information beginning on page 27 for Condensed Proforma Operating Results for the three months ended March 31, 2001 giving effect to the CESCR acquisition as if it had occurred on January 1, 2001. Further, the Supplemental Information contains data regarding (ii) details of the changes by segment in EBITDA for the three months ended March 31, 2002 compared to the three months ended December 31, 2001 and (iii) leasing activity.

(amounts in thousands)	Three Months Ended March 31, 2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$301,760	$213,812	$ 29,070	$ 47,010	$ --	$ 11,868
Expense reimbursements	37,804	21,407	12,017	3,343	--	1,037
Other income	6,760	4,983	214	1,417	--	146
Total revenues	346,324	240,202	41,301	51,770	--	13,051
Operating expenses	127,446	82,233	14,681	21,227	--	9,305
Depreciation and amortization	47,588	34,130	3,380	6,480	--	3,598
General and administrative	23,467	9,110	570	4,811	--	8,976
Amortization of officer's deferred compensation expense	6,875	--	--	--	--	6,875
Total expenses	205,376	125,473	18,631	32,518	--	28,754
Operating income	140,948	114,729	22,670	19,252	--	(15,703)
Income applicable to Alexander's	5,568	--	--	--	--	5,568
Income from partially-owned entities	13,786	550	229	2	5,305(6)	7,700
Interest and other investment income	9,643	1,111	79	135	--	8,318
Interest and debt expense	(58,018)	(34,762)	(13,693)	(7,183)	--	(2,380)
Net gain on disposition of wholly-owned and partially-owned assets	1,531	--	--	1,531	--	--
Minority interest	(33,926)	(32,705)	(3,620)	(5,905)	3,972	4,332
Income before cumulative effect of change in accounting principle and extraordinary item	79,532	48,923	5,665	7,832	9,277	7,835
Cumulative effect of change in accounting principle	(30,129)	--	--	--	(15,490)	(14,639)
Extraordinary item	--	--	--	--	--	--
Net income	49,403	48,923	5,665	7,832	(6,213)	(6,804)
Cumulative effect of change in accounting principle	30,129	--	--	--	15,490	14,639
Extraordinary item	--	--	--	--	--	--
Minority interest	33,926	32,705	3,620	5,905	(3,972)	(4,332)
Interest and debt expense(4)	74,293	35,266	14,328	7,183	6,559	10,957
Depreciation and amortization(4)	60,575	34,594	3,650	6,480	8,909	6,942
Straight-lining of rents(4)	(9,039)	(7,310)	(429)	(1,049)	--	(251)
Other	(259)	(1,300)	700	(123)	464	--
EBITDA(1)	$ 239,028	$142,878	$ 27,534	$ 26,228	$ 21,237	$ 21,151

(amounts in thousands)	Three Months Ended March 31, 2001					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$204,718	$113,860	$ 28,137	$ 47,005	$ --	$ 15,716
Expense reimbursements	35,092	19,041	11,295	3,973	--	783
Other income	2,800	572	1,429	719	--	80
Total revenues	242,610	133,473	40,861	51,697	--	16,579
Operating expenses	99,823	55,761	14,852	21,132	--	8,078
Depreciation and amortization	31,865	18,644	4,463	6,442	--	2,316
General and administrative	14,808	3,370	583	4,595	--	6,260(4)
Costs of acquisitions not consummated	5,000	--	--	--	--	5,000
Total expenses	151,496	77,775	19,898	32,169	--	21,654
Operating income	91,114	55,698	20,963	19,528	--	(5,075)
Income applicable to Alexander's	12,304	--	--	--	--	12,304
Income from partially-owned entities	23,990	8,695	1,897	113	5,948	7,337
Interest and other investment income	13,473	2,298	--	663	--	10,512
Interest and debt expense	(49,395)	(16,607)	(14,149)	(9,669)	--	(8,970)
Net gain on disposition of wholly-owned and partially-owned assets	(4,723)	--	--	--	--	(4,723)
Minority interest	(27,314)	(13,589)	(3,989)	(3,644)	(3,010)	(3,082)
Income before cumulative effect of change in accounting principle and extraordinary item	59,449	36,495	4,722	6,991	2,938	8,303
Cumulative effect of change in accounting principle	(4,110)	--	--	--	--	(4,110)
Extraordinary item	1,170	--	--	--	--	1,170
Net income	56,509	36,495	4,722	6,991	2,938	5,363
Cumulative effect of change in accounting principle	4,110	--	--	--	--	4,110
Extraordinary item	(1,170)	--	--	--	--	(1,170)
Minority interest	27,314	13,589	3,989	3,644	3,010	3,082
Interest and debt expense(4)	73,254	27,447	14,791	9,669	6,713	14,634
Depreciation and amortization(4)	47,918	23,644	4,727	6,442	8,408	4,697
Straight-lining of rents(4)	(7,737)	(5,955)	(161)	(1,108)	--	(513)
Other	(10,557)	(1,590)	(500)	--	112	(8,579)(5)
EBITDA(1)	$189,641	$ 93,630	$ 27,568	$ 25,638	$ 21,181	$ 21,624

(1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of depreciable real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA may not be comparable to similarly titled measures employed by other companies.
(2) Other EBITDA is comprised of:

(amounts in thousands)	For the Three Months Ended March 31,	
	2002	2001
Hotel Pennsylvania (3)	$ 753	$ 5,280
Newkirk Joint Ventures:		
Equity in income of limited partnerships	15,029	13,372
Interest and other income	2,271	1,727
Other partially-owned entities (Alexander's and other)	8,006	6,200
Unallocated general and administrative expenses	(7,720)	(7,533)
Amortization of Officer's deferred compensation expense	(6,875)	--
Investment income and other	9,687(7)	12,301
Costs of acquisitions not consummated	--	(5,000)
Write-off of investments in technology companies	--	(4,723)
Total	$ 21,151	$21,624

(3) Average occupancy and REVPAR for the Hotel Pennsylvania were 49.6% and $58 for the three months ended March 31, 2002 compared to 57.5% and $80 for the prior year's quarter.
(4) Interest and debt expense, depreciation and amortization and straight-lining of rents included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.
(5) Includes the elimination of $6,298 representing the Company's share of Alexander's gain on sale of its Fordham Road property on January 12, 2001.
(6) Net of rent not recognized of $1,808 for the three months ended March 31, 2002.
(7) No income was recognized on the Company's loans to Primestone Investment Partners, L.P. and Vornado Operating Company for the three

months ended March 31, 2002.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2002 AND MARCH 31, 2001

Below are the details of the changes by segment in EBITDA.

(amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Three months ended March 31, 2001....	$ 189,641	$ 93,630	$ 27,568	$ 25,638	$ 21,181	$ 21,624
2002 Operations:						
Same store operations(1)........	9,024	7,099	867	1,100	56(3)	(98)
Acquisitions, dispositions and non-recurring income and expenses.....................	40,363	42,149	(901)	(510)	--	(375)
Three months ended March 31, 2002....	$ 239,028	$ 142,878(2)	$ 27,534	$ 26,228	$ 21,237	$ 21,151
% increase (decrease) in same store operations.............	4.8%	7.6%(2)	3.1%	4.3%	0.3%	(0.5%)

(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
(2) EBITDA and the same store percentage increase were $77,098 and 9.5% for the New York City office portfolio and $65,780 and 1.3% for the CESCR portfolio.
(3) The Company reflects its 60% share of the Vornado/Crescent Partnerships' ("the Landlord") equity in the rental income it receives from AmeriCold Logistics, its tenant, which leases the underlying temperature controlled warehouses used in its business. On February 22, 2001, the Vornado/Crescent Partnerships ("Landlord") restructured the AmeriCold Logistics leases to among other things, (i) reduce 2001's contractual rent to $146,000,000, (ii) reduce 2002's contractual rent to $150,000,000 (plus additional contingent rent in certain circumstances), (iii) increase the Landlord's share of annual maintenance capital expenditures by $4,500,000 to $9,500,000 effective January 1, 2000 and (iv) allow AmeriCold Logistics to defer rent to December 31, 2003 to the extent cash is not available, as defined in the leases, to pay such rent. Based on the Company's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize $1,808,000 of rent it was due for the three months ended March 31, 2002, which together with previously deferred rent is $6,809,000.

The tenant has advised the Landlord that (i) its revenue for the current quarter ended March 31, 2002 from the warehouses it leases from the Landlord, is lower than last year by 2.2%, and (ii) its gross profit before rent at these warehouses for the corresponding period is higher than last year by $367,000 (a 0.9% increase). The decrease in revenue is primarily attributable to a reduction customer inventory turns. The increase in gross profit is primarily attributable to lower payroll expenses.

REVENUES

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues and other income were $346,324,000 for the three months ended March 31, 2002, compared to $242,610,000 in the prior year's quarter, an increase of $103,714,000 of which $99,715,000 resulted from the acquisition of the remaining 66% of CESCR and the resulting consolidation of their operations. Below are the details of the increase (decrease) by segment:

(amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Other
Property rentals:						
Acquisitions:						
CESCR (effect of acquisition of 66% and consolidation vs. equity method accounting for 34%)..................	January 2002	$ 93,476	$93,476	$ --	$ --	$ --
715 Lexington Avenue........	July 2001	458	458	--	--	--
Hotel activity.................		(3,273)	--	--	--	(3,273)(1)
Trade Shows activity...........		(143)	--	--	(143)	--
Leasing activity...............		6,524	6,018	933	148	(575)
Total increase (decrease) in property rentals............		97,04	99,952	933	5	(3,848)
Tenant expense reimbursements:						
Increase (decrease) due to acquisitions/dispositions...		2,383	2,383	--	--	--
Other..........................		329	(17)	722	(630)	254
Total increase (decrease) in tenant expense reimbursements......		2,712	2,366	722	(630)	254
Other Income:						
Increase due to acquisitions/dispositions...		3,856	3,856	--	--	--
Other..........................		104	555	(1,215)	698	66
Total increase (decrease) in other income......................		3,960	4,411	(1,215)	698	66
Total increase (decrease) in revenues....................		$103,714	$106,729	$ 440	$ 73	$ (3,528)

(1) Average occupancy and REVPAR for the Hotel Pennsylvania were 49.6% and $58.00 for the three months ended March 31, 2002 compared to 57.5% and $80.00 for the prior year's quarter.

See supplemental information beginning on page 27 for further details.

EXPENSES

The Company's expenses were $205,376,000 for the three months ended March 31, 2002, compared to $151,496,000 in the prior year's quarter, an increase of $53,880,000 of which $31,628,000 resulted from the acquisition of the remaining 66% of CESCR and the resulting consolidation of their operations. Below are the details of the increase (decrease) by segment:

(amounts in thousands)

	Total	Office	Retail	Merchandise Mart	Other
Operating:					
Acquisitions:					
CESCR (effect of acquisition of 66% and consolidation vs. equity method accounting for 34%)	$ 26,974	$ 26,974	$ --	$ --	$ --
715 Lexington Avenue	258	258	--	--	--
Hotel activity	(236)	--	--	--	(236)
Trade Shows activity	(75)	--	--	(75)	--
Same store operations	702	(760)	(171)	170	1,463
	27,623	26,472	(171)	95	1,227
Depreciation and amortization:					
Acquisitions	15,580	15,580	--	--	--
Same store operations	143	(94)	(1,083)	38	1,282
	15,723	15,486	(1,083)	38	1,282
General and administrative:					
Depreciation in value of Vornado shares and other securities held in officers' deferred compensation trust in the three months ended March 31, 2001	2,282	--	--	--	2,282
Acquisitions	5,366	5,366	--	--	--
Other expenses	1,011	374	(13)	216	434
Total increase (decrease) in general and administrative	8,659	5,740	(13)	216	2,716
Amortization of officer's deferred compensation expense	6,875	--	--	--	6,875
Costs of acquisitions not consummated	(5,000)	--	--	--	(5,000)
	$ 53,880	$ 47,698	$(1,267)	$ 349	$ 7,100

INCOME APPLICABLE TO ALEXANDER'S

Income applicable to Alexander's (loan interest income, management, leasing and development fees, equity in income) was $5,568,000 in the three months ended March 31, 2002, compared to $12,304,000 in the prior year's quarter, a decrease of $6,736,000. This decrease resulted primarily from the Company's $6,298,000 share of Alexander's gain on the sale of its Fordham Road property in the prior year's quarter.

INCOME FROM PARTIALLY-OWNED ENTITIES

In accordance with accounting principles generally accepted in the United States, the Company reflects the income it receives from (i) entities it owns less than 50% of and (ii) entities it owns more than 50% of, but which have a partner who exercises significant control, on the equity method of accounting resulting in such income appearing on one line in the Company's consolidated statements of income. Below is the detail of income from partially-owned entities by investment as well as the increase (decrease) in income of partially-owned entities for the three months ended March 31, 2002 as compared to the prior year:

(amounts in thousands)	Total	CESCR	Temperature Controlled Logistics	Newkirk Joint Venture	Las Catalinas Mall	Starwood Ceruzzi Joint Venture	Partially-Owned Office Buildings	Management Companies/ Other
MARCH 31, 2002:								
Revenues	$121,024	N/A(1)	$ 33,566	$ 74,857	$ 3,392	$ --	$ 9,209	$ --
Expenses:								
Operating, general and administrative	(12,533)	N/A	(1,915)	(5,180)	(909)	(550)	(3,979)	--
Depreciation	(30,915)	N/A	(14,816)	(13,982)	(531)	(262)	(1,324)	--
Interest expense	(43,467)	N/A	(10,932)	(29,965)	(1,043)	--	(1,527)	--
Other, net	1,115	N/A	182	--	--	462	471	--
Net income/(loss)	$ 35,224	N/A	$ 6,085(2)	$ 25,730	$ 909	$ (350)	$ 2,850	$ --
Vornado's interest		N/A	60%	21.1%	50%	80%	19%	
Equity in net income	$ 9,861	N/A	$ 3,651	$ 5,429	$ 455	$ (280)	$ 550	$ 56
Interest and other income	2,427	N/A	156	2,271	--	--	--	--
Fee income	1,498	N/A	1,498	--	--	--	--	--
Income from partially-owned entities	$ 13,786	N/A	$ 5,305	$ 7,700	$ 455	$ (280)	$ 550	$ 56
MARCH 31, 2001:								
Revenues	$214,784	93,937	$ 34,496	$ 70,494	$ 3,091	$ 386	$ 12,380	$ --
Expenses:								
Operating, general and administrative	(43,655)	(31,654)	(2,232)	(3,370)	(704)	(237)	(5,458)	--
Depreciation	(43,121)	(12,124)	(14,642)	(13,715)	(516)	(32)	(2,092)	--
Interest expense	(75,465)	(28,405)	(11,416)	(32,283)	(1,055)	--	(2,306)	--
Other, net	1,443	(76)	639	(519)	--	1,744	565	(910)
Net income/(loss)	$ 53,986	$ 21,678	$ 6,845	$ 20,607	$ 816	$ 1,861	$ 3,089	$ (910)
Vornado's interest		34%	60%	30%	50%	80%	41%	50%
Equity in net income	$ 20,423	7,367	$ 4,108	$ 6,242	$ 408	$ 1,489	$ 1,264	$ (455)
Interest and other income	2,083	--	356	1,727	--	--	--	--
Fee income	1,484	--	1,484	--	--	--	--	--
Income from partially-owned entities	$ 23,990	7,367	$ 5,948	$ 7,969	$ 408	$ 1,489	$ 1,264	$ (455)
(DECREASE) INCREASE IN INCOME OF PARTIALLY-OWNED ENTITIES	$(10,204)	(7,367)(1)	$ (643)	$ (269)	$ 47	$ (1,769)(3)	$ (714)(4)	$ 511

(1) On January 1, 2002, the Company acquired the remaining 66% of CESCR it did not previously own. Accordingly, CESCR is consolidated as of January 1, 2002.
(2) Excludes the write-off of goodwill of $25,817 upon the adoption of SFAS
142 - "Goodwill and Other Intangible Assets." The Company's share of this write-off of $15,490 is reflected as a cumulative effect of change in accounting principle on the Company's Consolidated Statements of Income.
(3) The prior year's quarter includes a $1,300 for the Company's share of a gain on sale of a property.
(4) The quarter ended March 31, 2002 excludes 570 Lexington Avenue which was sold in May 2001.

INTEREST AND OTHER INVESTMENT INCOME

Interest and other investment income (interest income on mortgage loans receivable, other interest income, dividend income and net gains and losses on sale of marketable securities) was $9,643,000 for the three months ended March 31, 2002, compared to $13,473,000 in the prior year's quarter, a decrease of $3,830,000. This decrease resulted primarily from the Company not recognizing income on its loans to Primestone Investment Partners, L.P. and Vornado Operating Company for the three months ended March 31, 2002. In the three months ended March 31, 2001 the Company recognized income of $3,247,000 and $601,000 in connection with these loans.

INTEREST AND DEBT EXPENSE

Interest and debt expense was $58,018,000 for the three months ended March 31, 2002, compared to $49,395,000 in the prior year's quarter, an increase of $8,623,000. This increase was primarily comprised of (i) $25,029,000 from the acquisition of the remaining 66% of CESCR and the resulting consolidation of their operations, partially offset by (ii) a $11,450,000 savings from a 337 basis point reduction in weighted average interest rates of the Company's variable rate debt and (iii) lower average outstanding debt balances.

NET GAIN (LOSS) ON DISPOSITION OF WHOLLY-OWNED AND PARTIALLY-OWNED ASSETS

Net gain on disposition of wholly-owned and partially-owned assets of $1,531,000 for the three months ended March 31, 2002, represents a gain from the sale of residential condominiums in Chicago, Illinois. Net loss on disposition of assets of $4,723,000 for the three months ended March 31, 2001 relates to the write-off of the Company's investment in a technology company.

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

In June 2001, the Financial Accounting Standards Board issued SFAS No.
142, GOODWILL AND OTHER INTANGIBLE ASSETS (effective January 1, 2002). SFAS No. 142 specifies that goodwill and some intangible assets will no longer be amortized but instead be subject to periodic impairment testing. In the first quarter of 2002, the Company wrote-off goodwill of approximately $30,129,000 of which (i) $15,490,000 represents its share of the goodwill arising from the Company's investment in Temperature Controlled Logistics and (ii) $14,639,000 represents goodwill arising from the Company's acquisition of the Hotel Pennsylvania. The write-off has been reflected as a cumulative effect of a change in accounting principle.

The Company recorded the cumulative effect of a change in accounting principle of $4,110,000 in the first quarter of 2001. The Company had previously marked-to-market changes in value of stock purchase warrants through accumulated other comprehensive loss. Under SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, as amended, those changes are recognized through earnings, and accordingly, the Company has reclassified $4,110,000 from accumulated other comprehensive loss to the consolidated statement of income as of January 1, 2001. Future changes in value of such securities will be recorded through earnings.

EXTRAORDINARY ITEM

The Company recorded an extraordinary item of $1,170,000 in the first quarter of 2001 representing the Company's share of Alexander's extraordinary gain from early extinguishment of debt.

LIQUIDITY AND CAPITAL RESOURCES

THREE MONTHS ENDED MARCH 31, 2002

Cash flow provided by operating activities of $94,862,000 was primarily comprised of (i) income of $49,403,000, (ii) adjustments for non-cash items of $89,096,000, partially offset by (iii) the net change in operating assets and liabilities of $42,106,000. The adjustments for non-cash items were primarily comprised of (i) a cumulative effect of change in accounting principle of $30,129,000, (ii) amortization of Officer's deferred compensation expense of $6,875,000, (iii) depreciation and amortization of $47,588,000, (iv) minority interest of $33,926,000, partially offset by (vi) the effect of straight-lining of rental income of $10,068,000, and (vii) equity in net income of partially-owned entities and income applicable to Alexander's of $19,354,000.

Net cash used in investing activities of $61,595,000 was primarily comprised of (i) recurring capital expenditures of $11,303,000, (ii) non-recurring capital expenditures of $5,370,000, (iii) development and redevelopment expenditures of $22,622,000, (iv) investment in notes and mortgages receivable of $55,236,000, (v) investments in partially-owned entities of $5,352,000, partially offset by (v) distributions from partially-owned entities of $44,219,000 and (vi) repayments on notes receivable of $2,500,000.

Net cash used in financing activities of $127,651,000 was primarily comprised of (i) dividends paid on common shares of $99,084,000, (ii) dividends paid on preferred shares of $6,131,000, (iii) distributions to minority partners of $42,945,000, (iv) repayments of borrowings of $45,090,000, partially offset by (v) proceeds from the issuance of common shares of $56,658,000, and (vi) proceeds from the exercise of employee share options of $8,941,000.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures.

Capital expenditures are categorized as follows:

Recurring -- capital improvements expended to maintain a property's competitive position within the market and tenant improvements and leasing commissions for costs to re-lease expiring leases or renew or extend existing leases.

Non-recurring -- capital improvements completed in the year of acquisition and the following two years which were planned at the time of acquisition and tenant improvements and leasing commissions for space which was vacant at the time of acquisition of a property.

Development and Redevelopment expenditures include all hard and soft costs associated with the development or redevelopment of a property, including tenant improvements, leasing commissions and capitalized interest and operating costs until the property is substantially complete and ready for its intended use.

(amounts in thousands)

	Total	New York City Office	CESCR	Retail	Merchandise Mart	Other
Capital Expenditures:						
Expenditures to maintain the assets:						
Recurring	$ 2,128	$ 1,262	$ 159	$ 35	$ 672	$ --
Non-recurring	4,387	2,032	1,925	--	430	--
	6,515	3,294	2,084	35	1,102	--
Tenant improvements:						
Recurring	9,175	2,017	5,799	773	586	--
Non-recurring	983	983	--	--	--	--
	10,158	3,000	5,799	773	586	--
Total	$16,673	$ 6,294	$ 7,883	$ 808	$ 1,688	$ --
Leasing Commissions:						
Recurring	$ 4,826	$ 2,997	$ 1,066	$ 119	$ 644	$ --
Non-recurring	1,415	1,382	--	33	--	--
	$ 6,241	$ 4,379	$ 1,066	$ 152	$ 644	$ --
Total Capital Expenditures and Leasing Commissions:						
Recurring	$16,129	$ 6,276	$ 7,024	$ 927	$ 1,902	$ --
Non-recurring	6,785	4,397	1,925	33	430	--
	$22,914	$ 10,673	$ 8,949	$ 960	$ 2,332	$ --
Development and Redevelopment Expenditures:						
Palisades-Fort Lee, NJ	$ 2,603	$ --	$ --	$ --	$ --	$ 2,603(1)
Other	20,019	16,612	--	1,761	609	1,037
	$22,622	$ 16,612	$ --	$ 1,761	$ 609	$ 3,640

	=======	=========	=======	========	===========	=========

(1) Does not include $15,421 of Fort Lee development costs funded by a construction loan.

THREE MONTHS ENDED MARCH 31, 2001

Cash flows provided by operating activities of $84,377,000 was primarily comprised of (i) income of $56,509,000 and (ii) adjustments for non-cash items of $22,653,000 partially offset by (iii) the net change in operating assets and liabilities of $5,215,000. The adjustments for non-cash items are primarily comprised of (i) cumulative effect of change in accounting principle of $4,110,000, (ii) the write-off of an investment in marketable securities of $4,723,000, (iii) depreciation and amortization of $31,865,000 and (iv) minority interest of $27,314,000, partially offset by (v) the effect of straight-lining of rental income of $7,895,000 and (vi) equity in net income of partially-owned entities and income applicable to Alexander's of $36,294,000.

Net cash used in investing activities of $46,709,000 was primarily comprised of (i) recurring capital expenditures of $14,352,000 (ii) non-recurring capital expenditures of $12,809,000 (iii) development and redevelopment expenditures of $40,577,000, (iv) investment in notes and mortgages receivable of $10,069,000, (v) investments in partially-owned entities of $13,378,000, partially offset by, (vi) distributions from partially-owned entities of $17,163,000 and (vii) a decrease in restricted cash arising primarily from the repayment of mortgage escrows of $29,095,000.

Net cash used in financing activities of $62,674,000 was primarily comprised of (i) proceeds from borrowings of $74,160,000, partially offset by,
(ii) repayments of borrowings of $56,513,000, (iii) dividends paid on common shares of $45,191,000, (iv) dividends paid on preferred shares of $8,972,000, and (v) distributions to minority partners of $27,290,000.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures.

(amounts in thousands)	Total	New York City Office	Retail	Merchandise Mart	Other
Capital Expenditures:					
Expenditures to maintain the assets:					
Recurring	$ 4,434	$ 2,922	$ 96	$ 449	$ 967
Non-recurring	12,775	6,694	--	2,490	3,591
	17,209	9,616	96	2,939	4,558
Tenant improvements:					
Recurring	9,918	8,573	244	1,101	--
Non-recurring	34	34	--	--	--
	9,952	8,607	244	1,101	--
Total	$ 27,161	$ 18,223	$ 340	$ 4,040	$ 4,558
Leasing Commissions:					
Recurring	$ 5,643	$ 2,769	$ 325	$ 2,414	$ 135
Non-recurring	5,527	1,906	--	3,621	--
	$ 11,170	$ 4,675	$ 325	$ 6,035	$ 135
Development and Redevelopment:					
Expenditures:					
Park Laurel (80% interest)	$ 18,286	$ --	$ --	$ --	$ 18,286
Market Square on Main Street	9,127	--	--	9,127	--
Other	13,164	6,165	863	--	6,136(1)
	$ 40,577	$ 6,165	$ 863	$ 9,127	$ 24,422

(1) Does not include $37,592 of Fort Lee development costs funded by a construction loan.

SUPPLEMENTAL INFORMATION

Below is a summary of net income, EBITDA and funds from operations for the three months ended March 31, 2002 and 2001, giving effect to the CESCR acquisition as if it had occurred on January 1, 2001.

(amounts in thousands)	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001 (Pro Forma)
Revenues	$ 346,324	$ 337,594
Net income	$ 49,403	$ 59,265
Preferred share dividends	(6,131)	(9,673)
Net income applicable to common shares	$ 43,272	$ 49,592
Net income per common share - diluted	$ .40	$ .55
EBITDA	$ 239,028	$ 231,517
Funds from operations(1)	$ 109,246	$ 85,563
Shares used for determining funds from operations per share	110,423	97,399

(1) Funds from operations in the three months ended March 31, 2002, includes
(i) a $6,875 charge for one quarter's amortization in connection with the January 1, 2002 extension of the Company's employment agreement with Mr. Fascitelli, its President, which was valued for compensation purposes at $27,500, and (ii) $1,531 from a gain on sale of residential condominium units in Chicago, Illinois. Funds from operations in the three months ended March 31, 2001, includes (i) a charge of $5,000 for the write-off of costs associated with two acquisitions which were not consummated and (ii) a charge of $4,723 resulting from a write-off of an equity investment in a technology company. Funds from operations before these items and after minority interest was $113,474 in the three months ended March 31, 2002, compared to $94,095 in the prior year's quarter, a $19,379 increase, or 5.2% on a per share basis.

Below are the details of the changes by segment in EBITDA for the three months ended March 31, 2002 from the three months ended December 31, 2001.

(amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Three months ended December 31, 2001	$ 202,020	$ 95,111	$ 29,731	$ 30,265	$ 19,897	27,016
2002 Operations:						
Same store operations(1)	3,347	2,771	(955)(3)	(1,987)(3)	1,340	2,178
Acquisitions, dispositions and other non-recurring income and expenses	33,661	44,996	(1,242)	(2,050)	--	(8,043)
Three months ended March 31, 2002	$ 239,028	$ 142,878(2)	$ 27,534	$ 26,228	$ 21,237	$21,151
% increase (decrease) in same store operations	1.7%	2.9%(2)	(3.2%)(3)	(6.6)% (3)	6.7%	8.1%

(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
(2) Same store percentage increase was 3.1% for the New York City office portfolio, and 2.3% for the CESCR portfolio.
(3) Primarily due to the recognition of percentage rent and seasonal mall store rents in the three months ended December 31, 2001 in the case of the Retail segment and the timing of trade shows in the case of the Merchandise Mart segment.

LEASING ACTIVITY

The following table sets forth certain information for the properties the Company owns directly or indirectly, including leasing activity for space previously occupied:

(square feet and cubic feet in thousands)

	Office			Merchandise Mart		
	New York City	CESCR	Retail	Office	Showroom	Temperature Controlled Logistics
As of March 31, 2002:						
Square feet	14,317	13,008	11,301	2,822	5,490	17,695
Cubic feet	--	--	--	--	--	445,200
Number of properties	22	51	55	9	9	89
Occupancy rate	97%	94%	91%	90%	95%	81%
Leasing Activity:						
For the quarter ended March 31, 2002:						
Square feet	121(2)	459	114	56	203	--
Rent per square foot:						
Initial rent (1) ...	$ 49.24	$ 31.33	$ 11.91	$ 21.09	$ 19.36	--
Prior escalated rent	$ 33.00	$ 29.33	$ 8.14	$ 20.66	$ 17.90	--
Percentage increase	49%	7%	46%	2%	8%	--
As of December 31, 2001:						
Square feet	14,300	4,386	11,301	2,840	5,532	17,695
Cubic feet	--	--	--	--	--	445,200
Number of properties	22	51	55	9	9	89
Occupancy rate	97%	95%	92%	89%	96%	81%
As of March 31, 2001:						
Square feet	14,410	4,248	11,300	2,869	5,044	17,495
Cubic feet	--	--	--	--	--	438,900
Number of properties	22	50	55	9	9	88
Occupancy rate	97%	98%	92%	91%	98%	73%

(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.
(2) In addition to the above, the Company leased 23,000 square feet of previously vacant space (first generation space - space which has been vacant for more than nine months) at an average initial rent per square foot of $57.31.

FUNDS FROM OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001

Funds from operations was $109,246,000 in the three months ended March 31, 2002, compared to $81,907,000 in the prior year's quarter, an increase of $27,339,000. Funds from operations in the three months ended March 31, 2002, includes (i) a $6,875,000 charge for one quarter's amortization in connection with the January 1, 2002 extension of the Company's employment agreement with Mr. Fascitelli, its President, which was valued for compensation purposes at $27,500,000, and (ii) a $1,531,000 gain from the sale of residential condominiums in Chicago, Illinois. Funds from operations in the three months ended March 31, 2001, includes (i) a $5,000,000 charge for the write-off of costs associated with two acquisitions which were not consummated and (ii) a $4,723,000 charge resulting from a write-off of an equity investment in a technology company. Funds from operations before these items and after minority interest was $113,474,000 in the three months ended March 31, 2002, compared to $90,439,000 in the prior year's quarter, a $23,035,000 increase over the prior year, a 9.7% increase on a per share basis.

The following table reconciles funds from operations and net income:

(amounts in thousands)	For the Three Months Ended March 31, 2002	2001
Net income applicable to common shares	$ 43,272	$ 46,836
Cumulative effect of a change in accounting principle	30,129	4,110
Extraordinary item	--	(1,170)
Depreciation and amortization of real property	45,487	31,040
Straight-lining of property rentals for rent escalations	(8,677)	(7,254)
Leasing fees received in excess of income recognized	318	(124)
Depreciation of securities held in officer's deferred compensation trust	--	(2,283)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations:		
Depreciation and amortization of real property	12,881	16,053
Net gain on sale of real estate (Alexander's Fordham Road property)	--	(6,298)
Other	(510)	(489)
Minority interest in excess of preferential distributions	(15,535)	(3,936)
	107,365	76,485
Series A preferred shares	1,881	5,422
Funds from operations--diluted (1)	$ 109,246	$ 81,907

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

(amounts in thousands)	For the Three Months Ended March 31, 2002	2001
Weighted average shares used for determining diluted income per share	107,217	89,381
Series A preferred shares	4,303	8,018
Shares used for determining diluted funds from operations per share (1)	111,520	97,399

Funds from operations does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States of America and is not necessarily indicative of cash available to fund cash needs which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures reported by other REITs since a number of REITs, including the Company, calculate funds from operations in a manner different from that used by NAREIT. Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified from this definition to adjust primarily for the effect of straight-lining of property rentals for rent escalations and leasing fee income.

Below are the cash flows provided by (used in) operating, investing and financing activities:

(amounts in thousands)	For the Three Months Ended March 31, 2002	2001
Operating activities.................	$ 94,862	$ 84,377
Investing activities.................	$ (61,595)	$ (46,709)
Financing activities.................	$ (127,651)	$ (62,674)

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(1) Assuming all of the convertible units of the Operating Partnership were converted to shares, the minority interest in partnership earnings would not be deducted in calculating funds from operations and the shares used in calculating funds from operations per share would be increased to reflect the conversion. Funds from operations per share would not change. The following table reconciles funds from operations as shown above, to the Operating Partnership's funds from operations for the three months ended March 31, 2002 and 2001:

	For the Three Months Ended March 31, 2002	2001
Funds from operations, as above..............	$ 109,246	$ 81,907
Addback of minority interest reflected as equity in the Operating Partnership.........	28,562	11,429
Operating Partnership funds from operations..	$ 137,808	$ 93,336

The number of shares that should be used for determining Operating Partnership funds from operations per share is as follows:

	2002	2001
Shares used for determining diluted funds from operations per share, as above..............	111,520	97,399
Convertible units:		
Non-Vornado owned Class A units..........	21,388	5,823
B-1 units................................	822	822
B-2 units................................	411	411
C-1 units................................	855	855
E-1 units................................	5,680	5,680
Shares used for determining Operating Partnership diluted funds from operations per share........................	140,676	110,990

FINANCINGS

The Company anticipates that cash from continuing operations will be adequate to fund business operations and the payment of dividends and distributions on an on-going basis for more than the next twelve months; however, capital outlays for significant acquisitions would require funding from borrowings or equity offerings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company's exposure to a change in interest rates on its wholly-owned and partially-owned debt (all of which arises out of non-trading activity) is as follows:

(amounts in thousands, except per share amounts)

	March 31, 2002			December 31, 2001	
	Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	Balance	Weighted Average Interest Rate
Wholly-owned debt:					
Variable rate..................	$ 1,359,097	$ 3.40%	$ 12,356(1)	$1,182,605	3.39%
Fixed rate.....................	2,611,389	7.19%	--	1,294,568	7.53%
	$ 3,970,486	5.95%	12,356	$2,477,173	
Partially-owned debt:					
Variable rate..................	$ 14,775	5.08%	148	$ 85,516	5.63%
Fixed rate.....................	774,938	8.59%	--	1,234,019	8.29%
	$ 789,713	8.52%	148	$1,319,535	
Minority interest.....................			(2,626)		
Total decrease in the Company's annual net income.........			$ 9,878		
Per share-diluted................			$ .09		

(1) Excludes the effect of a $123,500 mortgage financing, cross-collateralized by the Company's 770 Broadway and 595 Madison Avenue office properties, as the proceeds are in a restricted mortgage escrow account which bears interest at the same rate as the loan.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is from time to time involved in legal actions arising in the ordinary course of its business. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The following should be read in conjunction with Item 3. Legal Proceedings in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

On April 2, 2002, the Company filed a motion with the Court of Appeals either to vacate the stay pending Primestone's appeal from the affirmance of the Bankruptcy Court's dismissal of its bankruptcy case or to condition the continuance of the stay on the posting of a substantial bond by Primestone. On April 12, 2002, the Court of Appeals issued an order providing that the stay would be lifted unless Primestone posted a $15,000,000 bond on April 17, 2002. Primestone did not post the bond.

On April 17, 2002 Primestone filed a motion to expedite oral argument or, alternatively, reinstate the stay pending appeal without a bond. In a telephone conference call held by the Court of Appeals with counsel for the Company and Primestone on April 18, counsel for the Company stated that it intended to reschedule the foreclosure auction for April 30, 2002. Following the conference call, the Court of Appeals issued an order scheduling oral argument on Primestone's appeal for May 2, 2002 and denying Primestone's request to maintain the stay pending appeal. On April 22, 2002, Primestone filed a motion seeking clarification and modification of the April 18 order to indicate that the Court of Appeals did not intend for Vornado to proceed with the foreclosure auction before the Court heard oral argument on the appeal. On April 26, 2002, the Court of Appeals denied that motion.

On April 30, 2002, the Company acquired 7,944,893 partnership units of Prime Group Realty, L.P., the operating partnership of Prime Group Realty Trust (NYSE:PGE), at a foreclosure auction held in New York City. The partnership units had been pledged to the Company as collateral for loans to Primestone Investment Partners L.P. (Primestone). The price the Company paid for the units was $8.35 per unit, the April 30, 2002 closing price on The New York Stock Exchange of the PGE shares for which the partnership units are exchangeable on a one-for-one basis. Primestone and its affiliated guarantors remain liable for the deficiency under the loans. As previously reported, a subsidiary of Cadim, Inc. owns a 50% participation interest in the loans to Primestone held by the Company. Under the participation arrangement, the Cadim affiliate has the right to acquire 50% of the partnership units that the Company acquired at the foreclosure auction (or the PGE shares into which they may be exchanged).

If the Court of Appeals decides to reverse the dismissal of Primestone's bankruptcy petition, that decision will not affect the rights to the Units acquired by the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits required by Item 601 of Regulation S-K are incorporated herein by reference and are listed in the attached Exhibit Index.

(b) Reports on Form 8-K

During the quarter ended March 31, 2002, the Company filed the following reports on Form 8-K and Form 8-K/A:

Period Covered: (Date of Earliest Event Reported)	Items Reported	Dated Filed
January 1, 2002	Consummation of merger with Charles E. Smith Commercial Realty L.P.	January 16, 2002
January 1, 2002	Financial Statements and Pro Forma Financial Information in connection with the consummation of the merger with Charles E. Smith Commercial Realty L.P.	March 18, 2002
February 28, 2002	Announcement of underwriting agreement with Salomon Smith Barney Inc., placement agency agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner, and Smith Incorporated, and purchase agreement with Cohen & Steers Quality Income Realty Fund, Inc., each relating to the issuance of common shares.	March 1, 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VORNADO REALTY TRUST
(Registrant)

Date: May 1, 2002

By: /s/ Joseph Macnow

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

EXHIBIT INDEX

EXHIBIT
NO.

2.1	--	Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - Incorporated by reference to Exhibit 2.1 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002..	*
3.1	--	Amended and Restated Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 16, 1993 - Incorporated by reference to Exhibit 3(a) of Vornado's Registration Statement on Form S-4 (File No. 33-60286), filed on April 15, 1993..	*
3.2	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on May 23, 1996 - Incorporated by reference to Exhibit 3.2 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002......................	*
3.3	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 3, 1997 - Incorporated by reference to Exhibit 3.3 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-11954), filed on March 11, 2002........................	*
3.4	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 - Incorporated by reference to Exhibit 3.2 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000...	*
3.5	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated April 22, 1998 (File No. 001-11954), filed on April 28, 1998.................................	*
3.6	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on November 24, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000...	*
3.7	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000...	*
3.8	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on September 14, 2000 - Incorporated by reference to Exhibit 4.6 of Vornado's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001.......................................	*
3.9	--	Articles Supplementary Classifying Vornado's $3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share - Incorporated by reference to Exhibit 4.1 of Vornado's Current Report on Form 8-K, dated April 3, 1997 (File No. 001-11954), filed on April 8, 1997...	*

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* Incorporated by reference

EXHIBIT
NO.

3.10	--	Articles Supplementary Classifying Vornado's $3.25 Series A Convertible Preferred Shares of Beneficial Interest, as filed with the State Department of Assessments and Taxation of Maryland on December 15, 1997 - Incorporated by reference to Exhibit 3.10 to Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 31, 2002................	*
3.11	--	Articles Supplementary Classifying Vornado's Series D-1 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value (the "Series D-1 Preferred Shares") - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998....	*
3.12	--	Articles Supplementary Classifying Additional Series D-1 8.5% Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999...	*
3.13	--	Articles Supplementary Classifying 8.5% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999...........	*
3.14	--	Articles Supplementary Classifying Vornado's Series C 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value - Incorporated by reference to Exhibit 3.7 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed on May 19, 1999.......................	*
3.15	--	Articles Supplementary Classifying Vornado Realty Trust's Series D-2 8.375% Cumulative Redeemable Preferred Shares, dated as of May 27, 1999, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 1999 - Incorporated by reference - Incorporated to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999...	*
3.16	--	Articles Supplementary Classifying Vornado's Series D-3 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999...............	*
3.17	--	Articles Supplementary Classifying Vornado's Series D-4 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999...............	*
3.18	--	Articles Supplementary Classifying Vornado's Series D-5 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999.............	*
3.19	--	Articles Supplementary Classifying Vornado`s Series D-6 8.25% Cumulative Redeemable Preferred Shares, dated May 1, 2000, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed May 19, 2000..........................	*

* Incorporated by reference

3.20 --	Articles Supplementary Classifying Vornado's Series D-7 8.25% Cumulative Redeemable Preferred Shares, dated May 25, 2000, as filed with the State Department of Assessments and Taxation of Maryland on June 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000........................	*
3.21 --	Articles Supplementary Classifying Vornado's Series D-8 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000..............	*
3.22 --	Articles Supplementary Classifying Vornado's Series D-9 8.75% Preferred Shares, dated September 21, 2001, as filed with the State Department of Assessments and Taxation of Maryland on September 25, 2001 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001..	*
3.23 --	Amended and Restated Bylaws of Vornado, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000..	*
3.24 --	Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of October 20, 1997 (the "Partnership Agreement") - Incorporated by reference to Exhibit 3.4 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1997 filed on March 31, 1998.........................	*
3.25 --	Amendment to the Partnership Agreement, dated as of December 16, 1997-Incorporated by reference to Exhibit 3.5 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 001-11954) filed on March 31, 1998...	*
3.26 --	Second Amendment to the Partnership Agreement, dated as of April 1, 1998 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998.................	*
3.27 --	Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 of Vornado's * Incorporated Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998...................................	*
3.28 --	Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 1, 1998 (File No. 001-11954), filed on February 9, 1999.......................................	*
3.29 --	Exhibit A to the Partnership Agreement, dated as of December 22, 1998 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999...	*
3.30 --	Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999.......	*
3.31 --	Exhibit A to the Partnership Agreement, dated as of March 11, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999...........	*
3.32 --	Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999.........	*

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* Incorporated by reference

3.33	--	Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999..	*
3.34	--	Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999..	*
3.35	--	Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999...................	*
3.36	--	Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..	*
3.37	--	Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999......................................	*
3.38	--	Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Incorporated Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed on May 19, 2000..	*
3.39	--	Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000..	*
3.40	--	Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000......................................	*
3.41	--	Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - Incorporated by reference to Exhibit 4.35 of Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001...	*
3.42	--	Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001..	*
3.43	--	Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001..	*
3.44	--	Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002...................	*

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* Incorporated by reference

10.1**	--	Registration Rights Agreement, dated January 1, 2002, between Vornado and the Unit holders named therein - Incorporated by reference to Exhibit 10.1 of Vornado's Current Report on Form 8-K dated January 1, 2002 (File No. 1-11954), filed on March 18, 2002....................	*
10.2**	--	Registration Rights Agreement, dated January 1, 2002, between Vornado and the Unit holders named therein - Incorporated by reference to Exhibit 10.2 of Vornado's Current Report on Form 8-K dated January 1, 2002 (File No. 1-11954), filed on March 18, 2002....................	*
10.6**	--	Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002.....	*
10.7**	--	Employment agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002	

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* Incorporated by reference ** Management contract or compensatory plan

EXHIBIT 10.7

EMPLOYMENT AGREEMENT

AGREEMENT, dated as of March 8, 2002, by and between Vornado Realty Trust, a Maryland real estate investment trust, with its principal offices at 888 Seventh Avenue, New York, New York 10106 (the "Company") and Michael D. Fascitelli ("Executive").

WHEREAS, the Company and Executive entered into an Employment Agreement, dated as of December 2, 1996 (the "1996 Agreement");

WHEREAS, the Company and Executive wish to amend and restate the 1996 Agreement in its entirety;

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth below, the parties hereby amend and restate the 1996 Agreement in its entirety and agree as follows:

1. EMPLOYMENT. The Company hereby agrees to continue Executive's employment as the President of the Company, and Executive hereby accepts such continued employment, on the terms and conditions hereinafter set forth.

2. TERM. The period of employment of Executive by the Company hereunder (the "Employment Period") shall commence on January 1, 2002 (the "Commencement Date") and shall continue through December 31, 2006; PROVIDED that, commencing on January 1, 2006, and on each January 1 thereafter, the Employment Period shall automatically be extended for one (1) additional year unless either party gives written notice not to extend this Agreement prior to three (3) months before such extension would be effectuated. The Employment Period may be sooner terminated by either party in accordance with Section 6 of this Agreement.

3. POSITION AND DUTIES. During the Employment Period, Executive shall serve as President of the Company, and shall report solely and directly to Mr. Steven Roth; PROVIDED that, if Mr. Steven Roth is no longer employed by the Company for any reason, Executive shall report, in respect of his duties and responsibilities at the Company, solely and directly to the board of trustees of the Company (the "Board"). Subject to the supervisory powers of Mr. Steven Roth only, Executive shall have those powers and duties normally associated with the position of President and trustee and such other powers and duties as may be prescribed by Mr. Roth and the Board only, PROVIDED that such other powers and duties are consistent with Executive's position as President and trustee of the Company. Executive shall devote substantially all of his working time, attention and energies during normal business hours (other than absences due to illness or vacation) to the performance of his duties for the Company. Notwithstanding the above, Executive shall be permitted, to the extent such activities do not substantially interfere with the performance by Executive of his duties and responsibilities hereunder or violate Section 10(a), (b) or (c) of this Agreement, to (i) manage Executive's personal, financial and legal affairs, and
(ii) serve on civic or charitable boards or committees (it being

expressly understood and agreed that Executive's continuing to serve on any such board and/or committees on which Executive is serving, or with which Executive is otherwise associated, as of the Commencement Date (each of which has been disclosed to the Company prior to the execution of this Agreement), shall be deemed not to interfere with the performance by Executive of his duties and responsibilities under this Agreement). Executive is currently serving as a member of the Board and of the board of directors of certain affiliates of the Company.

4. PLACE OF PERFORMANCE. The principal place of employment of Executive shall be at the Company's principal executive offices in New York, New York.

5. COMPENSATION AND RELATED MATTERS.

(a) BASE SALARY. During the Employment Period the Company shall pay Executive a base salary at the rate of not less than $1,000,000 per year ("Base Salary"). Executive's Base Salary shall be paid in approximately equal installments in accordance with the Company's customary payroll practices. If Executive's Base Salary is increased by the Company, such increased Base Salary shall then constitute the Base Salary for all purposes of this Agreement.

(b) COMPANY SHARE OPTION. The Company has granted to Executive a non-qualified share option (the "Company Share Option") to acquire 3,500,000 shares of the common shares of beneficial interest of the Company, par value $.04 per share (the "Company Stock"), pursuant to the Company's 1993 Omnibus Share Plan (the "Company Option Plan"). The Company Share Option is subject to the terms set forth in the share option agreement attached to the 1996 Agreement as Exhibit A (the "Company Share Option Agreement") and to the Company Option Plan. The Company hereby represents and warrants to Executive that (a) the Company Option Plan has and will have sufficient shares available to effect the exercise of the Company Share Option and the Company Option Plan has been approved by its shareholders, (b) the Company Share Option was granted by the Board or by a compensation committee of the Board satisfying the conditions for "non-employee directors" under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended ("Rule16b-3"), (c) the Company Share Option was properly authorized and approved by the Board and/or its compensation committee,
(d) the Company Stock underlying the Company Share Option has been registered on Form S-8 and (e) the Company Stock underlying the Company Share Option has been listed on the New York Stock Exchange. The Company hereby undertakes and agrees (at no cost to Executive) to have an effective shelf-registration in place in favor of Executive in respect of the Company Stock underlying the Company Share Option (the "Company Registration Statement"). The Company Registration Statement shall be subject to the terms set forth on Exhibit B to the 1996 Agreement.

(c) ALEXANDER'S STOCK OPTION. Alexander's, Inc. ("Alexander's") has granted to Executive a non-qualified stock option (the "Alexander's Stock Option") to acquire 350,000 shares of the common stock of Alexander's, par value $1.00 per share (the "Alexander's Stock"), pursuant to the Alexander's, Inc. Omnibus Stock Plan (the "Alexander's Option Plan"). The Alexander's Option is subject to the terms set forth in the stock option agreement attached to the 1996 Agreement as Exhibit C (the "Alexander's Stock Option Agreement") and to the Alexander's Option Plan. The Company hereby represents and warrants to Executive that (a) the Alexander's Stock Option Plan has sufficient shares available to effect the exercise of the Alexander's Option and the Alexander's Stock Option Plan has been approved by its shareholders, (b) the Alexander's Option was granted by the board of directors of Alexander's or by a compensation committee of the board of directors of Alexander's satisfying the conditions for non-employee directors under Rule 16b-3, (c) the Alexander's Option was properly authorized and approved by the board of directors of Alexander's and/or its compensation committee, (d) the Alexander's Stock underlying the Alexander's Stock Option has been registered on Form S-8, and (e) the Alexander's Stock underlying the Alexander's Stock Option has been properly listed on the New York Stock Exchange. The Company hereby undertakes and agrees (at no cost to Executive) to use its best efforts to cause Alexander's to have an effective shelf-registration in place in favor of Executive in respect of the Alexander's Stock underlying the Alexander's Option (the "Alexander's Registration Statement"). The Alexander's Registration Statement shall be subject to the terms set forth on Exhibit B to the 1996 Agreement.

(d) 2002 UNITS AGREEMENT. The Company and Executive shall execute on the date of this Agreement a deferred compensation arrangement in the form of 626,566 convertible units (the "2002 Units") pursuant to an agreement in the form attached hereto as EXHIBIT A (the "2002 Units Agreement").

(e) RABBI TRUST. In connection with the 2002 Units, the Company shall, within 60 days from the date of this Agreement, contribute a certificate for 626,566 shares of Company Stock into the irrevocable "rabbi" trust established pursuant to the Trust Agreement, dated as of December 2, 1996, between the Company and The Chase Manhattan Bank, a New York banking corporation (the "Rabbi Trust"). The Company hereby undertakes and agrees to maintain at no cost to Executive or the trustee under the Rabbi Trust agreement (attached as Exhibit F to the 1996 Agreement) the Rabbi Trust in respect of the 919,540 shares of Company Stock held therein pursuant to the 1996 Agreement, as well as the 626,566 shares of Company Stock to be contributed hereunder.

(f) CONDITION TO RECEIPT OF 2002 UNITS. Notwithstanding anything in this Section 5 to the contrary, Executive shall have no right to the amount payable pursuant to the 2002 Units Agreement in the event that, prior to December 31, 2002, he voluntarily terminates employment hereunder (other than for Good Reason); PROVIDED that, under no circumstances shall such amount be forfeited upon Executive's death or a termination of employment due to Executive's Disability.

(g) AUTOMOBILE. The Company will provide Executive with an automobile and driver, which automobile shall be a Lincoln Town Car or similar model.

(h) EXPENSES. The Company shall promptly reimburse Executive for all reasonable business expenses upon the presentation of reasonably itemized statements of such expenses in accordance with the Company's policies and procedures now in force or as such policies and procedures may be modified with respect to all senior executive officers of the Company.

(i) VACATION. Executive shall be entitled to the number of weeks of vacation per year provided to the Company's chief executive officer, but in no event less than four (4) weeks annually.

(j) SERVICES FURNISHED. During the Employment Period, the Company shall furnish Executive with office space, stenographic and secretarial assistance and such other facilities and services comparable to those provided to the Company's chief executive officer.

(k) COMPANY LOAN. During the Employment Period, upon the written request of Executive, the Company shall disburse to Executive one or more loans in the aggregate amount of $20,000,000, less any loan amounts outstanding pursuant to the 1996 Agreement. Each of such loans shall be on a revolving principal basis subject to the following terms and conditions:

(i) the loan must be in an amount of at least $500,000;

(ii) the loan shall be full recourse to Executive;

(iii) the principal amount of the loan shall be due and payable upon the first to occur of (A) Executive's Date of Termination, (B) the fifth anniversary of the loan's date of disbursement or (C) the final payment to Executive under the 2002 Units Agreement, provided that under no circumstances shall the aggregate principal amount of all outstanding loans (including loans to Executive pursuant to the 1996 Agreement) exceed one-half (1/2) the sum of (x) the product of (1) the fair market value of one share of Company Stock and (2) the sum of the number of Convertible Units (as defined below) and 2002 Units and (y) the total "spread" on all of Executives outstanding stock options to purchase Company Stock (I.E. the positive difference between the aggregate fair market value of the Company Stock underlying all of the Executive's outstanding stock options to purchase Company Stock and the aggregate exercise price of such options), and in the event such aggregate principal amount of outstanding loans does exceed such sum, the excess shall be due and payable immediately;

(iv) the loan shall be subject to interest at the applicable Federal rate under Section 1274(d) of the Code on the date the loan is made;

(v) interest on the loan shall be payable quarterly as set forth in the agreement evidencing the loan (the intent of which will be to approximate the timing of the Company's regular quarterly dividend payments);

(vi) there shall be an agreement evidencing the loan and it shall contain such additional terms and conditions as are reasonably acceptable to the Executive in good faith; and

(vii) Executive shall not be required to pledge or otherwise hypothecate or encumber any of Executive's personal assets in connection with the loan.

For purposes of clause (iii) of this paragraph, "fair market value" on any given date shall mean the average of the high and low trading prices of the Company Stock on such date, as reported on the New York Stock Exchange composite tape for such date.

(l) WELFARE, PENSION AND INCENTIVE BENEFIT PLANS. During the Employment Period, Executive (and his spouse and dependents to the extent provided therein) shall be entitled to participate in and be covered under all the welfare benefit plans or programs maintained by the Company from time to time for the benefit of its senior executives including, without limitation, all medical, hospitalization, dental, disability, accidental death and dismemberment and travel accident insurance plans and programs, other than any such benefits provided solely to Mr. Steven Roth. The Company shall at all times provide to Executive (and his spouse and dependents to the extent provided under the applicable plans or programs) (subject to modifications affecting all senior executive officers) the same type and levels of participation and benefits as are being provided to Mr. Steven Roth (and his spouse and dependents to the extent provided under the applicable plans or programs) on the Commencement Date. In addition, during the Employment Period, Executive shall be eligible to participate in all pension, retirement, savings and other employee benefit plans and programs maintained from time to time by the Company for the benefit of its senior executives, other than any such benefits provided solely to Mr. Steven Roth or any annual incentive or long-term performance plans (other than those specified or referred to in Section 5).

(m) OTHER BENEFITS. During the Employment Period, the Company shall provide Executive with the benefits described below:

(i) a $3 million five-year renewable term life insurance policy;

(ii) a Company-provided medical examination on an annual basis at a medical clinic selected by Executive and reasonably satisfactory to the Company's chief executive officer;

(iii) tax preparation and financial planning assistance up to a maximum value of $15,000 per year; and

(iv) long-term disability insurance coverage with benefits at a rate of 60% of Base Salary through age sixty-five (65), less any disability benefits paid under any group long-term disability plan of the Company.

(n) OFFICES. Executive shall serve, without additional compensation, as a director or trustee of the Company or any of its wholly-owned subsidiaries and affiliates, and in one or more executive positions of any of such subsidiaries and affiliates, PROVIDED that Executive is indemnified for serving in any and all such capacities on a basis no less favorable than is then provided to any other director, trustee, or executive of such entity.

(o) ADJUSTMENTS TO THE 2002 UNITS. In the event of a spin-off by the Company to its shareholders, Executive shall receive an appropriate equitable adjustment to the 2002 Units pursuant to the terms of Section 7(j) of the 2002 Units Agreement.

6. TERMINATION. Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

(a) DEATH. Executive's employment hereunder shall terminate upon his death.

(b) DISABILITY. If, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been substantially unable to perform his duties hereunder for an entire period of six (6) consecutive months, and within thirty (30) days after written Notice of Termination is given after such six (6) month period, Executive shall not have returned to the substantial performance of his duties on a full-time basis, the Company shall have the right to terminate Executive's employment hereunder for "Disability", and such termination in and of itself shall not be, nor shall it be deemed to be, a breach of this Agreement.

(c) CAUSE. The Company shall have the right to terminate Executive's employment for Cause, and such termination in and of itself shall not be, nor shall it be deemed to be, a breach of this Agreement. For purposes of this Agreement, the Company shall have "Cause" to terminate Executive's employment upon Executive's:

(i) conviction of, or plea of guilty or nolo contendere to, a felony;

(ii) willful and continued failure to use reasonable best efforts to substantially perform his duties hereunder (other than such failure resulting from Executive's incapacity due to physical or mental illness or subsequent to the issuance of a Notice of Termination by Executive for Good Reason) after demand for substantial performance is delivered by the Company in writing that specifically identifies the manner in which the Company believes Executive has not used reasonable best efforts to substantially perform his duties; or

(iii) willful misconduct (including, but not limited to, a willful breach of the provisions of Section 10) that is materially economically injurious to the Company or Alexander's or to any entity in control of, controlled by or under common control with the Company or Alexander's ("Affiliates").

For purposes of this Section 6(c), no act, or failure to act, by Executive shall be considered "willful" unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of the Company, Alexander's or any

Affiliates thereof. Cause shall not exist under paragraph (ii) or (iii) above unless and until the Company has delivered to Executive a copy of a resolution duly adopted by a majority of the Board (excluding Executive for purposes of determining such majority) at a meeting of the Board called and held for such purpose (after reasonable (but in no event less than thirty (30) days) notice to Executive and an opportunity for Executive, together with his counsel, to be heard before the Board), finding that in the good faith opinion of the Board, Executive was guilty of the conduct set forth in paragraph (ii) or (iii) and specifying the particulars thereof in detail. This Section 6(c) shall not prevent Executive from challenging in any court of competent jurisdiction the Board's determination that Cause exists or that Executive has failed to cure any act (or failure to act) that purportedly formed the basis for the Board's determination.

(d) GOOD REASON. Executive may terminate his employment for "Good Reason" within one hundred and twenty (120) days after Executive has actual knowledge of the occurrence, without the written consent of Executive, of one of the following events that has not been cured within thirty (30) days after written notice thereof has been given by Executive to the Company:

(i) the failure of Executive to be appointed to the position set forth in Section 3;

(ii) the assignment to Executive of duties materially and adversely inconsistent with Executive's status as President of the Company or a material and adverse alteration in the nature of Executive's duties and/or responsibilities, reporting obligations, titles or authority;

(iii) a reduction by the Company in Executive's Base Salary or a failure by the Company to pay any such amounts when due or any amounts due under the deferred compensation agreement attached as Exhibit D to the 1996 Agreement (the "Deferred Compensation Agreement"), the convertible units agreement attached as Exhibit E to the 1996 Agreement (the "Convertible Units Agreement or the 2002 Units Agreement;

(iv) the relocation of the Company's principal executive offices or Executive's own office location to a location more than thirty (30) miles from New York City;

(v) any purported termination of Executive's employment for Cause which is not effected pursuant to the procedures of Section 6(c) (and for purposes of this Agreement, no such purported termination shall be effective);

(vi) the Company's material breach of the Company Share Option Agreement, the Convertible Units Agreement, the Deferred Compensation Agreement or the 2002 Units Agreement;

(vii) the Company's failure to provide the benefits set forth in Section 5(m)(i) or 5(m)(iv) or the failure of the Company to substantially provide any material employee benefits due to be provided to Executive (other than any such failure not inconsistent with any express provisions contained herein which failure affects all senior executive officers, not including for this purpose benefits provided solely to Mr. Steven Roth);

(viii) the Company's failure to provide in all material respects the indemnification set forth in Section 11 of this Agreement;

(ix) the material breach of the Alexander's Stock Option Agreement by Alexander's;

(x) the failure by the Company or by Alexander's to provide Executive, upon the spin-off or distribution of any property by the Company or Alexander's to their shareholders, with an appropriate equitable adjustment to the Company Share Option, the Alexander's Share Option, the convertible units granted pursuant to the Convertible Units Agreement (the "Convertible Units") or the 2002 Units pursuant to the terms of the Company Share Option Agreement, the Alexander's Stock Option Agreement, the Convertible Units Agreement or the 2002 Units Agreement, as applicable;

(xi) a Change in Control of the Company;

(xii) the failure of the Company (i) to list (or to maintain such listing) for trading on The New York Stock Exchange or (ii) to register (or to maintain pursuant to the terms set forth on Exhibit B of the 1996 Agreement) the stock underlying the Company Share Option, the Alexander's Stock Option, the Convertible Units Agreement or the 2002 Units Agreement pursuant to an effective shelf registration statement on Form S-3 in favor of Executive and the Rabbi Trust trustee;

(xiii) the Company's material failure to disburse the loan amount in accordance with Section 5(k); or

(xiv) the Company's failure to contribute the annual Rabbi Trust funding, to the extent such funding is required by the Rabbi Trust agreement.

Executive's right to terminate his employment hereunder for Good Reason shall not be affected by his incapacity due to physical or mental illness. Executive's continued employment during the one hundred and twenty (120) day period referred to above in this paragraph (d) shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(e) WITHOUT CAUSE. The Company shall have the right to terminate Executive's employment hereunder without Cause by providing Executive with a Notice of Termination, and such termination shall not in and of itself be, nor shall it be deemed to be, a breach of this Agreement.

(f) WITHOUT GOOD REASON. Executive shall have the right to terminate his employment hereunder without Good Reason by providing the Company with a Notice of Termination, and such termination shall not in and of itself be, nor shall it be deemed to be, a breach of this Agreement.

For purposes of this Agreement, a "Change in Control" of the Company means the occurrence of one of the following events:

(1) individuals who, on the Commencement Date, constitute the Board (the "Incumbent Trustees") cease for any reason to constitute at least a majority of the Board, PROVIDED that any person becoming a trustee subsequent to the Commencement Date whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Trustees then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for trustee, without objection to such nomination) shall be an Incumbent Trustee; PROVIDED, HOWEVER, that no individual initially elected or nominated as a trustee of the Company as a result of an actual or threatened election contest with respect to trustees or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Trustee;

(2) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes, after the Commencement Date, a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); PROVIDED, HOWEVER, that an event described in this paragraph (2) shall not be deemed to be a Change in Control if any of following becomes such a beneficial owner: (A) the Company or any majority-owned subsidiary (PROVIDED that this exclusion applies solely to the ownership levels of the Company or the majority-owned subsidiary), (B) any tax-qualified, broad-based employee benefit plan sponsored or maintained by the Company or any majority-owned subsidiary, (C) any underwriter temporarily holding securities pursuant to an offering of such securities, (D) any person pursuant to a Non-Qualifying Transaction (as defined in paragraph (3)), (E) Executive or any group of persons including Executive (or any entity controlled by Executive or any group of persons including Executive); or (F) (i) any of the partners (as of the Commencement Date) in Interstate Properties ("Interstate") including immediate family members and family trusts or family-only partnerships and any charitable foundations of such partners (the "Interstate Partners"), (ii) any entities the majority of the voting interests of which are beneficially owned by the Interstate Partners, or (iii) any "group" (as described in Rule 13d-5(b)(i) under the Exchange Act) including the Interstate Partners, PROVIDED that the Interstate Partners beneficially own a majority of the Company Voting Securities beneficially owned by such group (the persons in (i), (ii) and

(iii) shall be individually and collectively referred to herein as, "Interstate Holders");

(3) the consummation of a merger, consolidation, share exchange or similar form of transaction involving the Company or any of its subsidiaries, or the sale of all or substantially all of the Company's assets (a "Business Transaction"), unless immediately following such Business Transaction (i) more than 50% of the total voting power of the entity resulting from such Business Transaction or the entity acquiring the Company's assets in such Business Transaction (the "Surviving Corporation") is beneficially owned, directly or indirectly, by the Interstate Holders or the Company's shareholders immediately prior to any such Business Transaction, and (ii) no person (other than the persons set forth in clauses (A), (B), (C), or (F) of paragraph (2) above or any tax-qualified, broad-based employee benefit plan of the Surviving Corporation or its affiliates) beneficially owns, directly or indirectly, 30% or more of the total voting power of the Surviving Corporation (a "Non-Qualifying Transaction"); or

(4) Board approval of a liquidation or dissolution of the Company, unless the voting common equity interests of an ongoing entity (other than a liquidating trust) are beneficially owned, directly or indirectly, by the Company's shareholders in substantially the same proportions as such shareholders owned the Company's outstanding voting common equity interests immediately prior to such liquidation and such ongoing entity assumes all existing obligations of the Company to Executive under this Agreement, the 2002 Units Agreement, the Company Share Option Agreement, the Company Registration Statement, the Alexander's Stock Option Agreement, the Deferred Compensation Agreement, the Convertible Units Agreement and the Rabbi Trust agreement.

7. TERMINATION PROCEDURE.

(a) NOTICE OF TERMINATION. Any termination of Executive's employment by the Company or by Executive during the Employment Period (other than termination pursuant to Section 6(a)) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 14. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

(b) DATE OF TERMINATION. "Date of Termination" shall mean (i) if Executive's employment is terminated by his death, the date of his death,
(ii) if Executive's employment is terminated pursuant to Section 6(b), thirty
(30) days after Notice of Termination (PROVIDED that Executive shall not have returned to the substantial performance of his duties on a full-time basis during such thirty (30) day period), and (iii) if Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days after the giving of such notice) set forth in such Notice of Termination.

8. COMPENSATION UPON TERMINATION OR DURING DISABILITY. In the event Executive suffers or incurs a Disability as defined in Section 6(b) or his employment terminates during the Employment Period, the Company shall provide Executive with the payments and benefits set forth below. Executive acknowledges and agrees that the payments set forth in this Section 8 constitute liquidated damages for termination of his employment during the Employment Period.

(a) TERMINATION BY COMPANY WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON. If Executive's employment is terminated by the Company without Cause or by Executive for Good Reason:

(i) the Company shall pay to Executive (A) his Base Salary and accrued vacation pay through the Date of Termination, as soon as practicable following the Date of Termination, and (B) continued Base Salary (as provided for in Section 5(a)) for a period of three (3) years following the Date of Termination; PROVIDED that during the second and third years following the Date of Termination the Company's obligation to pay continued Base Salary shall be offset by the economic value of any compensation actually received (or deferred) for services rendered by Executive to any other entity;

(ii) the Company shall pay any deferred compensation payable in accordance with the terms of the Deferred Compensation Agreement, the Convertible Units Agreement or the 2002 Units Agreement;

(iii) the Company shall maintain in full force and effect, for the continued benefit of Executive, his spouse and his dependents for a period of three (3) years following the Date of Termination the medical, hospitalization, dental, and life insurance programs (including without limitation the life insurance policy set forth in Section 5(m), but for no longer than the five-year term of such policy) in which Executive, his spouse and his dependents were participating immediately prior to the Date of Termination at the level in effect and upon substantially the same terms and conditions (including without limitation contributions required by Executive for such benefits) as existed immediately prior to the Date of Termination; PROVIDED that, if Executive, his spouse or his dependents cannot continue to participate in the Company programs providing such benefits, the Company shall arrange to provide Executive, his spouse and his dependents with the economic equivalent of such benefits which they otherwise would have been entitled to receive under such plans and programs ("Continued Benefits"), PROVIDED that such Continued Benefits shall terminate on the date or dates Executive receives equivalent coverage and benefits, without waiting period or pre-existing condition limitations, under the plans and programs of a subsequent employer (such coverage and benefits to be determined on a coverage-by-coverage or benefit-by-benefit, basis);

(iv) the Company shall reimburse Executive pursuant to
Section 5(h) for reasonable expenses incurred, but not paid prior to such termination of employment; and

(v) Executive shall be entitled to any other rights, compensation and/or benefits as may be due to Executive in accordance with the terms and provisions of any agreements, plans or programs of the Company.

(b) CAUSE OR BY EXECUTIVE WITHOUT GOOD REASON. If Executive's employment is terminated by the Company for Cause or by Executive (other than for Good Reason):

(i) the Company shall pay Executive his Base Salary and, to the extent required by law or the Company's vacation policy, his accrued vacation pay through the Date of Termination, as soon as practicable following the Date of Termination;

(ii) the Company shall pay any deferred compensation payable in accordance with the terms of the Deferred Compensation Agreement, the Convertible Units Agreement or the 2002 Units Agreement;

(iii) the Company shall reimburse Executive pursuant to
Section 5(h) for reasonable expenses incurred, but not paid prior to such termination of employment, unless such termination resulted from a misappropriation of Company funds; and

(iv) Executive shall be entitled to any other rights, compensation and/or benefits as may be due to Executive in accordance with the terms and provisions of any agreements, plans or programs of the Company.

(c) DISABILITY. During any period that Executive fails to perform his duties hereunder as a result of incapacity due to physical or mental illness ("Disability Period"), Executive shall continue to receive his full Base Salary set forth in Section 5(a) until his employment is terminated pursuant to
Section 6(b). In the event Executive's employment is terminated for Disability pursuant to Section 6(b):

(i) the Company shall pay to Executive (A) his Base Salary and accrued vacation pay through the Date of Termination, as soon as practicable following the Date of Termination, and (B) continued Base Salary (as provided for in Section 5(a)) and Continued Benefits for the longer of (i) six (6) months or (ii) the date on which Executive becomes entitled to long-term disability benefits under the applicable plan or program of the Company paying the benefits described in Section 5(m)(iv), up to a maximum of three (3) years of Base Salary continuation;

(ii) the Company shall pay any deferred compensation payable in accordance with the terms of the Deferred Compensation Agreement, the Convertible Units Agreement or the 2002 Units Agreement;

(iii) the Company shall reimburse Executive pursuant to
Section 5(h) for reasonable expenses incurred, but not paid prior to such termination of employment; and

(iv) Executive shall be entitled to any other rights, compensation and/or benefits as may be due to Executive in accordance with the terms and provisions of any agreements, plans or programs of the Company.

(d) DEATH. If Executive's employment is terminated by his death:

(i) the Company shall pay in a lump sum to Executive's beneficiary, legal representatives or estate, as the case may be, Executive's Base Salary through the Date of Termination and one (1) times Executive's annual rate of Base Salary, and shall provide Executive's spouse and dependents with Continued Benefits for one (1) year;

(ii) the Company shall pay any deferred compensation payable in accordance with the terms of the Deferred Compensation Agreement, the Convertible Units Agreement or the 2002 Units Agreement;

(iii) the Company shall reimburse Executive's beneficiary, legal representatives, or estate, as the case may be, pursuant to Section 5(h) for reasonable expenses incurred, but not paid prior to such termination of employment; and

(iv) Executive's beneficiary, legal representatives or estate, as the case may be, shall be entitled to any other rights, compensation and benefits as may be due to any such persons or estate in accordance with the terms and provisions of any agreements, plans or programs of the Company.

(e) FAILURE TO EXTEND. A failure to extend the Agreement pursuant to Section 2 by either party shall not be treated as a termination of Executive's employment for purposes of this Agreement.

9. MITIGATION. Executive shall not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account of subsequent employment except as specifically provided herein. Additionally, amounts owed to Executive under this Agreement, the 2002 Units Agreement, the Deferred Compensation Agreement or the Convertible Units Agreement shall not be offset by any claims the Company may have against Executive (other than an offset for any due and payable loan amounts under Section 5(k) excluding the Deferred Compensation Agreement) and, except with respect to such loan amounts, as set forth above, the Company's obligation to make the payments provided for in this Agreement, the 2002 Units Agreement, the Deferred Compensation Agreement or the Convertible Units Agreement, and otherwise to perform its obligations hereunder, shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense or other right which the Company may have against Executive or others.

10. CONFIDENTIAL INFORMATION, OWNERSHIP OF DOCUMENTS; NON-COMPETITION.

(a) CONFIDENTIAL INFORMATION. Executive shall hold in a fiduciary capacity for the benefit of the Company all trade secrets and confidential information, knowledge or data relating to the Company and its businesses and investments, which shall have been obtained by Executive during Executive's employment by the Company and which is not generally available public knowledge (other than by acts by Executive in violation of this Agreement). Except as may be required or appropriate in connection with his carrying out his duties under this Agreement, Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or any legal process, or as is necessary in connection with any adversarial proceeding against the Company (in which case Executive shall use his reasonable best efforts in cooperating with the Company in obtaining a protective order against disclosure by a court of competent jurisdiction), communicate or divulge any such trade secrets, information, knowledge or data to anyone other than the Company and those designated by the Company or on behalf of the Company in the furtherance of its business or to perform duties hereunder.

(b) REMOVAL OF DOCUMENTS; RIGHTS TO PRODUCTS. All records, files, drawings, documents, models, equipment, and the like relating to the Company's business, which Executive has control over shall not be removed from the Company's premises without its written consent, unless such removal is in the furtherance of the Company's business or is in connection with Executive's carrying out his duties under this Agreement and, if so removed, shall be returned to the Company promptly after termination of Executive's employment hereunder, or otherwise promptly after removal if such removal occurs following termination of employment. Executive shall assign to the Company all rights to trade secrets and other products relating to the Company's business developed by him alone or in conjunction with others at any time while employed by the Company.

(c) PROTECTION OF BUSINESS. During the Employment Period and until the first anniversary of Executive's Date of Termination (but only in the event Executive is terminated by the Company for Cause, Executive terminates employment without Good Reason or Executive is terminated by the Company for Disability), the Executive will not (i) engage, anywhere within the geographical areas in which the Company, Alexander's or any of their Affiliates (the "Designated Entities") are conducting their business operations or providing services as of the Date of Termination, in any business which is being engaged in by the Designated Entities as of the Date of Termination or pursue or attempt to develop any project known to Executive and which the Designated Entities are pursuing, developing or attempting to develop as of the Date of Termination, unless such project has been inactive for over nine (9) months (a "Project"), directly or indirectly, alone, in association with or as a shareholder, principal, agent, partner, officer, director, employee or consultant of any other organization, (ii) divert to any entity which is engaged in any business conducted by the Designated Entities in the same geographic area as the Designated Entities, any Project or any customer of any of the Designated Entities, or (iii) solicit any officer, employee (other than secretarial staff) or consultant of any of the Designated Entities to leave the employ of any of the Designated Entities. Notwithstanding the preceding sentence, Executive shall not be prohibited from owning less than one (1%) percent of any publicly traded corporation, whether or not such corporation is in competition with the Company. If, at any time, the provisions of this Section 10(c) shall be determined to be invalid or unenforceable, by reason of being vague or unreasonable as to area, duration or scope of activity, this Section 10(c) shall be considered divisible and shall become and be immediately amended to only such area, duration and scope of activity as shall be determined to be reasonable and enforceable by the court or other body having jurisdiction over the matter; and Executive agrees that this Section 10(c) as so amended shall be valid and binding as though any invalid or unenforceable provision had not been included herein.

(d) INJUNCTIVE RELIEF. In the event of a breach or threatened breach of this Section 10, Executive agrees that the Company shall be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, Executive acknowledging that damages would be inadequate and insufficient.

(e) CONTINUING OPERATION. Except as specifically provided in this Section 10, the termination of Executive's employment or of this Agreement shall have no effect on the continuing operation of this Section 10.

11. INDEMNIFICATION.

(a) GENERAL. The Company agrees that if Executive is made a party or a threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that Executive is or was a trustee, director or officer of the Company, Alexander's or any subsidiary of such entities or is or was serving at the request of the Company, Alexander's or any subsidiary as a trustee, director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, including, without limitation, service with respect to employee benefit plans, whether or not the basis of such Proceeding is alleged action in an official capacity as a trustee, director, officer, member, employee or agent while serving as a trustee, director, officer, member, employee or agent, Executive shall be indemnified and held harmless by the Company to the fullest extent authorized by Maryland law, as the same exists or may hereafter be amended, against all Expenses incurred or suffered by Executive in connection therewith, and such indemnification shall continue as to Executive even if Executive has ceased to be an officer, director, trustee or agent, or is no longer employed by the Company or Alexander's and shall inure to the benefit of his heirs, executors and administrators.

(b) EXPENSES. As used in this Agreement, the term "Expenses" shall include, without limitation, damages, losses, judgments, liabilities, fines, penalties, excise taxes, settlements, and costs, attorneys' fees, accountants' fees, and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under this Agreement.

(c) ENFORCEMENT. If a claim or request under this Agreement is not paid by the Company or on its behalf, within thirty (30) days after a written claim or request has been received by the Company, Executive may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim or request and if successful in whole or in part, Executive shall be entitled to be paid also the expenses of prosecuting such suit. All obligations for indemnification hereunder shall be subject to, and paid in accordance with, applicable Maryland law.

(d) PARTIAL INDEMNIFICATION. If Executive is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses, but not, however, for the total amount thereof, the Company, shall nevertheless indemnify Executive for the portion of such Expenses to which Executive is entitled.

(e) ADVANCES OF EXPENSES. Expenses incurred by Executive in connection with any Proceeding shall be paid by the Company in advance upon request of Executive that the Company pay such Expenses; but, only in the event that Executive shall have delivered in writing to the Company (i) an undertaking to reimburse the Company for Expenses with respect to which Executive is not entitled to indemnification and (ii) an affirmation of his good faith belief that the standard of conduct necessary for indemnification by the Company has been met.

(f) NOTICE OF CLAIM. Executive shall give to the Company notice of any claim made against him for which indemnification will or could be sought under this Agreement. In addition, Executive shall give the Company such information and cooperation as it may reasonably require and as shall be within Executive's power and at such times and places as are convenient for Executive.

(g) DEFENSE OF CLAIM. With respect to any Proceeding as to which Executive notifies the Company of the commencement thereof:

(i) The Company will be entitled to participate therein at its own expense; and

(ii) Except as otherwise provided below, to the extent that it may wish, the Company will be entitled to assume the defense thereof, with counsel reasonably satisfactory to Executive, which in the Company's sole discretion may be regular counsel to the Company and may be counsel to other officers and directors of the Company, Alexander's or any subsidiary. Executive also shall have the right to employ his own counsel in such action, suit or proceeding if he reasonably concludes that failure to do so would involve a conflict of interest between the Company and Executive, and under such circumstances the fees and expenses of such counsel shall be at the expense of the Company.

(iii) The Company shall not be liable to indemnify Executive under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall not settle any action or claim in any manner which would impose any penalty or limitation on

Executive without Executive's written consent. Neither the Company nor Executive will unreasonably withhold or delay their consent to any proposed settlement.

(h) NON-EXCLUSIVITY. The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Section 11 shall not be exclusive of any other right which Executive may have or hereafter may acquire under any statute, provision of the declaration of trust or certificate of incorporation or by-laws of the Company, Alexander's or any subsidiary, agreement, vote of shareholders or disinterested directors or trustees or otherwise.

12. LEGAL FEES AND EXPENSES. The Company shall reimburse Executive promptly following the Commencement Date for all legal fees and expenses reasonably incurred by Executive in connection with Executive and the Company entering into this Agreement and the 2002 Units Agreement, upon receipt of reasonable written evidence of such fees and expenses. If any contest or dispute shall arise between the Company or Alexander's and Executive regarding any provision of this Agreement, the Rabbi Trust agreement, the Company Registration Statement, the Alexander's Registration Statement, or the Alexander's Stock Option Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of substantially all of Executive's claims brought and pursued in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed) to the extent the Company receives reasonable written evidence of such fees and expenses.

13. SUCCESSORS; BINDING AGREEMENT.

(a) COMPANY'S SUCCESSORS. No rights or obligations of the Company under this Agreement may be assigned or transferred except that the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets (by merger, purchase or otherwise) which executes and delivers the agreement provided for in this Section 13 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) EXECUTIVE'S SUCCESSORS. No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than his rights to payments or benefits hereunder, which may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Agreement. Executive shall be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary(ies), estate or other legal representative(s). If Executive should die following his Date of Termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts unless otherwise provided herein shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, or otherwise to his legal representatives or estate.

14. NOTICE. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered either personally or by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:

Michael D. Fascitelli
888 Seventh Avenue
New York, New York 10106

with a copy to:

Stephen W. Skonieczny

Dechert
30 Rockefeller Plaza
New York, NY 10112-2200

If to the Company:

Vornado Realty Trust
888 Seventh Avenue
New York, New York 10106

Attention: Steven Roth

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

15. MISCELLANEOUS. No provisions of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing signed by Executive and by a duly authorized officer of the Company, and such waiver is set forth in writing and signed by the party to be charged. No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No

agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The respective rights and obligations of the parties hereunder of this Agreement shall survive Executive's termination of employment and the termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without regard to its conflicts of law principles.

16. VALIDITY. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

17. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

18. ENTIRE AGREEMENT. This Agreement amends and restates the 1996 Agreement in its entirety and along with the 2002 Units Agreement, the Company Share Option Agreement, the Company Registration Statement, the Alexander's Stock Option Agreement, the Deferred Compensation Agreement, the Convertible Units Agreement and the Rabbi Trust agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of such subject matter. Any other prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled, other than any outstanding stock option or restricted stock agreements or any compensatory plan or program in which the Executive is a participant on the Commencement Date.

19. WITHHOLDING. All payments hereunder shall be subject to any required withholding of Federal, state and local taxes pursuant to any applicable law or regulation.

20. NONCONTRAVENTION. The Company represents that the Company is not prevented from entering into, or performing this Agreement by the terms of any law, order, rule or regulation, its by-laws or declaration of trust, or any agreement to which it is a party, other than which would not have a material adverse effect on the Company's ability to enter into or perform this Agreement.

21. TRUSTEE. In the event any successor to the Company is a corporation, all references herein to "trustee" or "Board of Trustees" shall mean "director" or "Board of Directors", respectively.

22. SECTION HEADINGS. The section headings in this Employment Agreement are for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

23. ACKNOWLEDGMENT. The Company hereby agrees to perform its obligations under the last sentence of Section 5(b) of the 2002 Units Agreement and Section 23 of the Company Share Option Agreement, and shall use its best efforts to cause Alexander's to perform its obligations under Section 21, of the Alexander's Stock Option Agreement.

24. REIT REPRESENTATIONS AND WARRANTY. The Company hereby represents and warrants to Executive that, if Executive (1) does not (x) Beneficially Own (as such term is defined in the Amended and Restated Declaration of Trust of the Company (the "Declaration)), hereafter come to Beneficially Own, Constructively Own (as such term is defined in the Declaration) or hereafter come to Constructively Own Common Equity Stock (as such term is defined in the Declaration) of the Company other than Company Stock received by Executive pursuant to the terms of the Company Share Option Agreement, the Convertible Units Agreement, the 2002 Units Agreement or share options to purchase Company Stock granted to Executive by the Company prior to the date hereof, as well as Company Stock owned by Executive as of the date hereof or (y) Beneficially Own (as such term is defined in the Amended and Restated Certificate of Incorporation of Alexander's, Inc. (the "Certificate"), hereafter come to Beneficially Own, Constructively Own (as such term is defined in the Certificate) or hereafter come to Constructively Own Alexander's Stock other than Alexander's Stock received by Executive pursuant to the terms of the Alexander's Stock Option Agreement or Beneficially Owned or Constructively Owned as a result of Executive's receipt of Company Stock under the Company Share Option Agreement, the Convertible Units Agreement or the 2002 Units Agreement,
(2) complies with the requirements for Existing Constructive Holder status set forth in the Declaration at all times, if any, that Executive Constructively Owns in excess of 9.9 percent of the Company's outstanding Common Equity Stock, and (3) complies with the requirements for Existing Constructive Holder status set forth in the Certificate at all times, if any, that Executive Constructively Owns in excess of 9.9 percent of the Alexander's Stock, (a) any and all issuances or transfers of shares of Company Stock to Executive under the Company Share Option Agreement, the Convertible Units Agreement or the 2002 Units Agreement shall not be voided pursuant to the Declaration and shall not result in (i) the receipt by Executive of shares classified as or exchanged for Excess Stock (as defined in the Declaration) or (ii) Executive not acquiring shareholder rights at all times under such shares of the Company Stock to the fullest extent provided for in the Declaration, the Amended and Restated By-Laws of the Company and Maryland law, and (b) any and all issuances or transfers of shares of Alexander's Stock to Executive under the Alexander's Stock Option Agreement shall not be void under the Certificate and shall not result in (i) the receipt by Executive of Excess Stock (as defined in the Certificate) or (ii) Executive not acquiring stockholder rights under such shares of Alexander's Stock to the fullest extent provided for in the Certificate, the Amended and Restated By-Laws of Alexander's, Inc., and Delaware law. The representation and warranty in clause (a) of the preceding sentence is subject to approval by the Board of an increase in the Ownership Limit (as such term is defined in the Declaration) with respect to Executive in an amount necessary to cover all of the shares of Company Stock referred to in clause (1)(x) of the preceding sentence. The Company will use its best efforts to have such Board approval adopted as soon as practicable, but in no event later than April 30, 2002.

25. REMEDY LIMITED TO MONEY DAMAGES. Executive shall not be entitled to specific performance for a breach of the representation and warranty contained in paragraph 24 hereof and shall not be entitled to any other remedy except for an action for money damages.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

VORNADO REALTY TRUST

By: /s/ Steven Roth

Steven Roth
Chief Executive Officer

/s/ Michael D. Fascitelli

Michael D. Fascitelli