VORNADO REALTY TRUST
Form 10-K
February 27, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended: **December 31, 2006**

OR

o **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: **1-11954**

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)

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

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

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

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

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

YES x NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

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

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

Large Accelerated Filer x Accelerated Filer o Non-Accelerated Filer o

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

YES o NO x

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust, was $11,503,533,000 at June 30, 2006.

As of February 1, 2007, there were 151,601,052 of the registrant s common shares of beneficial interest outstanding.

Documents Incorporated by Reference

Part III: Portions of Proxy Statement for Annual Meeting of Shareholders to be held on May 17, 2007.

TABLE OF CONTENTS

(1) These items are omitted in whole or in part because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission not later than 120 days after December 31, 2006, portions of which are incorporated by reference herein. See Executive Officers of the Registrant on page 53 of this Annual Report on Form 10-K for information relating to executive officers.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as approximates, believes, expects, anticipates, estimates, intends, plans, would, may or other similar expressions in this Annual Report on Form 10- addition, references to our budgeted amounts are forward-looking statements. These forward-looking statements represent our intentions, plans, expectations and beliefs and 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. For further discussion of these factors see Item 1A. Risk Factors in this annual report on Form 10-K.

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

PART I

ITEM 1. BUSINESS
THE COMPANY

Vornado Realty Trust is a fully-integrated real estate investment trust (REIT) and conducts its business through Vornado Realty L.P., a Delaware limited partnership (the Operating Partnership). All references to we, us, Company and Vornado refer to Vornado Realty Trust and consolidated subsidiaries, including the Operating Partnership. Vornado is the sole general partner of, and owned approximately 89.9% of the common limited partnership interest in, the Operating Partnership at December 31, 2006.

At December 31, 2006, we own directly or indirectly:

Office Properties:

(i) all or portions of 116 office properties aggregating approximately 31.7 million square feet in the New York City metropolitan area (primarily Manhattan) and in the Washington, DC and Northern Virginia area;

Retail Properties:

(ii) 158 retail properties in 21 states, Washington, DC and Puerto Rico aggregating approximately 19.3 million square feet, including 3.3 million square feet owned by tenants on land leased from us;

Merchandise Mart Properties:

(iii) 9 properties in five states and Washington, DC aggregating approximately 9.2 million square feet of showroom and office space, including the 3.4 million square foot Merchandise Mart in Chicago;

Temperature Controlled Logistics:

(iv) a 47.6% interest in AmeriCold Realty Trust which owns and operates 91 cold storage warehouses nationwide;

Toys R Us, Inc.:

(v) a 32.9% interest in Toys R Us, Inc. which owns and/or operates 1,325 stores worldwide, including 587 toy stores and 248 Babies R Us stores in the United States and 490 toy stores internationally;

Other Real Estate Investments:

(vi) 32.8% of the common stock of Alexander s, Inc. (NYSE: ALX), which has seven properties in the greater New York metropolitan area;

(vii) the Hotel Pennsylvania in New York City consisting of a hotel portion containing 1.0 million square feet with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space;

(viii) mezzanine loans to real estate related companies; and

(ix) interests in other real estate, including interests in other public companies that own and manage office, industrial and retail properties net leased to major corporations and student and military housing properties throughout the United States; 7 dry warehouse/industrial properties in New Jersey containing approximately 1.5 million square feet; and other investments and marketable securities.

OBJECTIVES AND STRATEGY

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

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

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

2006/2007 ACQUISITIONS AND INVESTMENTS

San Francisco Bay Area Properties

On January 10, 2006, we acquired four properties for approximately $72,000,000 in cash. These properties are located in the San Francisco Bay area and contain a total of 189,000 square feet of retail and office space.

Springfield Mall, Virginia

On January 31, 2006, we acquired an option to purchase the Springfield Mall for $35,600,000, of which we paid $14,000,000 in cash upon closing and $10,000,000 in installments during 2006. The remainder of $11,600,000 will be paid in installments over the next three years. The mall, located on 79 acres at the intersection of Interstate 95 and Franconia Road in Springfield, Virginia, contains 1.4 million square feet and is anchored by Macy s, and J.C. Penney and Target who own their stores aggregating 389,000 square feet. We intend to redevelop, reposition and re-tenant the mall and have committed to spend $25,000,000 in capital expenditures over a six-year period from the closing of the option agreement. The option becomes exercisable upon the passing of one of the existing principals of the selling entity and may be deferred at our election through November 2012. Upon exercise of the option, we will pay $80,000,000 to acquire the mall, subject to the existing mortgage of $180,000,000, which will be amortized to $149,000,000 at maturity in 2013. Upon closing of this option on January 31, 2006, we acquired effective control of the mall, including management of the mall and right to the mall s net cash flow.

BNA Complex, Washington, DC

On February 17, 2006, we entered into an agreement to sell our 277,000 square foot Crystal Mall Two office building, located in Crystal City, Virginia, to The Bureau of National Affairs, Inc. (BNA) for use as its corporate headquarters, subject to the build-out of tenant improvements to agreed-upon specifications. Simultaneously, we agreed to acquire a three building complex from BNA containing approximately 300,000 square feet, which is located in Washington, DC s West End between Georgetown and the Central Business District. We will receive sales proceeds of approximately $100,000,000 for Crystal Mall Two and recognize a net gain on sale of approximately $23,000,000. We will pay BNA $111,000,000 in cash for the three building complex. One of the buildings, containing 130,000 square feet, will remain an office building, while the other two buildings will be redeveloped into residential condominiums or rental properties. These transactions are expected to close in the second half of 2007.

San Jose, California Ground-up Development

On March 29, 2006, a joint venture, in which we have a 45% equity interest and are a co-managing partner, acquired 55 acres of land in San Jose, California for approximately $59,600,000. The purchase price was funded with $20,643,000 of cash contributed by the partners, of which our share was $9,289,000, and $38,957,000 drawn on a $117,000,000 acquisition/construction loan. The remainder of the loan will be used to fund the development of 325,000 square feet of retail space and site work for Home Depot and Target who will construct their own stores. Upon completion of the development we have an option to acquire our partner s 55% equity interest at a 7% unlevered yield.

1925 K Street, Washington, DC

On April 13, 2006, we acquired the 92.65% interest that we did not already own of 1925 K Street for $52,800,000, consisting of $34,600,000 in cash and $18,200,000 of existing mortgage debt. This property is located in the Central Business District of Washington, DC and contains 150,000 square feet of office space. We plan to redevelop the property into a 250,000 square foot Class A office building at a cost of approximately $90,000,000.

1540 Broadway, New York City

On July 11, 2006, we acquired the retail, signage and parking components of 1540 Broadway for approximately $260,000,000 in cash. This property is located in Times Square between 45th and 46th Street and contains 154,000 square feet of retail space.

Refrigerated Warehouses

On August 31, 2006, AmeriCold Realty Trust (AmeriCold) entered into a definitive agreement to acquire from ConAgra Foods, Inc. (ConAgra Foods) four refrigerated warehouse facilities and the lease on a fifth facility, with an option to purchase. These five warehouses contain a total of 1.7 million square feet and 48.9 million cubic feet. The aggregate purchase price is approximately $190,000,000, consisting of $152,000,000 in cash to ConAgra Foods and $38,000,000 representing the recording of a capital lease obligation for the fifth facility. During the fourth quarter of 2006, AmeriCold completed the acquisition of two of these facilities and assumed the leasehold on the fifth facility and the related capital lease obligation. In January 2007, AmeriCold completed the acquisition of the third facility. The acquisition of the fourth facility is expected to be completed during the first half of 2007.

Toys R Us Stores

On September 14, 2006, we entered into an agreement to purchase up to 44 previously closed Toys R Us stores for up to $190,000,000. On October 16, 2006, we completed the first phase of the agreement by acquiring 37 stores for $171,000,000 in cash. These properties, of which 18 are owned in fee, 8 are ground leased and 11 are space leased, aggregate 1.5 million square feet and are primarily located in seven east coast states, Texas and California. Of these properties, 25 are leased or subleased to other retailers and 12 are currently vacant. All of these stores were part of the store closing program announced by Toys R Us in January 2006.

We expect to purchase six of the remaining stores by the end of the second quarter of 2007, subject to landlords consent, where applicable, and customary closing conditions. The seventh store we had agreed to purchase was sold by Toys R Us to a third party.

India Real Estate Investments

On December 12, 2006, we contributed $71,500,000 in cash for a 50% interest in a joint venture that owns 263 acres of land in a special economic zone in the national capital region of India. The venture plans to develop residential, office and retail buildings on the site in three phases over the next nine years. In 2005, we contributed $16,700,000 in cash for a 25% interest in a joint venture formed for the purpose of investing in, and developing, other real estate properties in India.

350 Park Avenue, New York City

On December 14, 2006, we acquired 350 Park Avenue for approximately $542,000,000 in cash. The building occupies the entire westerly block front on Park Avenue between 51st and 52nd Streets and contains 538,000 square feet of office space. At closing, we completed a $430,000,000, five-year, interest-only financing secured by the property, which bears interest at 5.48%.

100 West 33rd Street, New York City (the Manhattan Mall)

On January 11, 2007, we acquired the Manhattan Mall for approximately $689,000,000 in cash. This mixed-use property is located on the entire Sixth Avenue block-front between 32nd and 33rd Streets in Manhattan and contains approximately 1,000,000 square feet, including 812,000 square feet of office space and 164,000 square feet of retail space. Included as part of the transaction are 250,000 square feet of additional air rights. The property is adjacent to our 1,400,000 square foot Hotel Pennsylvania. At closing, we completed a $232,000,000 financing secured by the property, which bears interest at LIBOR plus 0.55% and matures in two years with three one-year extension options.

Bruckner Plaza, Bronx, New York

On January 11, 2007, we acquired Bruckner Plaza, a 386,000 square foot shopping center, and an adjacent parcel which is ground leased to a third party containing 114,000 square feet, for approximately $165,000,000 in cash. The property is located on Bruckner Boulevard in the Bronx, New York.

Filene s, Boston, Massachusetts

On January 26, 2007, a joint venture in which we have a 50% interest, acquired the Filene s property located in the Downtown Crossing district of Boston, Massachusetts for approximately $100,000,000 in cash, of which our share was $50,000,000. The venture plans to redevelop the property to include over 1,200,000 square feet, consisting of office, retail, condominium apartments and a hotel. The project is subject to governmental approvals.

Other

In addition to the acquisitions described above, from January 1, 2006 through February 1, 2007, we completed $337,280,000 of other real estate acquisitions and investments in 18 separate transactions, comprised of $322,780,000 in cash and $14,500,000 of existing mortgage debt.

Investment in McDonald s Corporation (McDonalds) (NYSE: MCD)

We own 858,000 common shares of McDonalds as of December 31, 2006 which we acquired in July 2005 for $25,346,000, an average price of $29.54 per share. These shares are recorded as marketable equity securities on our consolidated balance sheets and are classified as available for sale. Appreciation or depreciation in the fair market value of these shares is recorded as an increase or decrease in accumulated other comprehensive income in the shareholders equity section of our consolidated balance sheet and not recognized in income. At December 31, 2006, based on McDonalds closing stock price of $44.33 per share, $12,688,000 of appreciation in the value of these shares is included in accumulated other comprehensive income on our consolidated balance sheet.

During the second half of 2005, we acquired an economic interest in an additional 14,565,500 McDonalds common shares through a series of privately negotiated transactions with a financial institution pursuant to which we purchased a call option and simultaneously sold a put option at the same strike price on McDonalds common shares. These call and put options had an initial weighted-average strike price of $32.66 per share, or an aggregate of $475,692,000, expire on various dates between July 30, 2007 and September 10, 2007 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points (up to 95 basis points under certain circumstances) and is credited for the dividends received on the shares. The options provide us with the same economic gain or loss as if we had purchased the underlying common shares and borrowed the aggregate purchase price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in interest and other investment income on our consolidated statements of income.

In the three months ended March 31, 2006, we sold 2,119,500 of the option shares in the derivative position at a weighted average sales price of $35.49. In the three months ended June 30, 2006, we acquired an additional 1,250,000 option shares at a weighted average purchase price of $33.08. As of December 31, 2006, there are 13,696,000 option shares in the derivative position with an adjusted weighted average strike price of $32.70 per share or an aggregate of $447,822,000. For the year ended December 31, 2006, we recognized a net gain of $138,815,000, representing the mark-to-market of the shares in the derivative to $44.33 per share, net of the expense resulting from the LIBOR charges.

Our aggregate net gain from inception of this investment in 2005 through December 31, 2006 is $168,557,000.

2006 DISPOSITIONS

Investment in Sears, Roebuck and Co. (Sears)

In August and September 2004, we acquired an economic interest in 7,916,900 Sears common shares through a series of privately negotiated transactions with a financial institution pursuant to which we purchased a call option and simultaneously sold a put option at the same strike price on Sears common shares. These call and put options had an initial weighted-average strike price of $39.82 per share, or an aggregate of $315,250,000. On March 30, 2005, as a result of the merger between Sears and Kmart and pursuant to the terms of the contract, our derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holdings, Inc. (Sears Holdings) (NYSE: SHLD) valued at $323,936,000 based on the then closing share price of $130.00 and $146,663,000 of cash. As a result, we recognized a net gain of $58,443,000 based on the fair value of the derivative position on March 30, 2005. In 2005 we sold 402,660 of the option shares at a weighted average sales price of $124.44 per share. In the first quarter of 2006, we settled the entire derivative position by selling the remaining 2,089,159 option shares at a weighted average sales price of $125.43, which resulted in a net gain of $18,611,000, comprised of $20,673,000 from the remaining option shares sold, partially offset by $2,062,000 of expense resulting from the increase in strike price for the LIBOR charge.

Our aggregate net gain realized from inception of this investment in 2004 through settlement was $142,877,000.

Sears Canada, Inc. (Sears Canada)

On April 3, 2006, we tendered the 7,500,000 Sears Canada shares we owned to Sears Holdings at the increased tender price of Cdn. $18.00 per share (the equivalent at that time of US $15.68 per share), which resulted in a net gain of $55,438,000, representing the difference between the tender price, and our carrying amount of $8.29 per share. Together with income recognized in the fourth quarter of 2005 that resulted from a Sears Canada special dividend, the aggregate net gain from inception in 2005 on our $143,737,000 investment was $78,323,000. If at any time on or before December 31, 2008 Sears Canada or any of its affiliates pays more than Cdn. $18.00 per share to acquire Sears Canada common shares from third parties, we will be entitled to receive the difference as additional consideration for the shares we sold.

424 Sixth Avenue

On March 13, 2006, we sold 424 Sixth Avenue, a 10,000 square foot retail property located in New York City, for $22,000,000, which resulted in a net gain of $9,218,000.

33 North Dearborn Street

On March 14, 2006, we sold 33 North Dearborn Street, a 336,000 square foot office building located in Chicago, Illinois, for $46,000,000, which resulted in a net gain of $4,835,000.

1919 South Eads Street

On June 22, 2006, we sold 1919 South Eads Street, a 96,000 square foot office building located in Arlington, Virginia, for $38,400,000, which resulted in a net gain of $17,609,000.

2006 MEZZANINE LOAN ACTIVITY

Equinox Loan

On February 10, 2006, we acquired a 50% interest in a $115,000,000 note issued by Related Equinox Holdings II, LLC (the Note), for $57,500,000 in cash. The Note is secured by a pledge of the stock of Related Equinox Holdings II. Related Equinox Holdings II owns Equinox Holdings Inc., which in turn owns all of the assets and obligations, including the fitness clubs, operated under the Equinox brand. The Note is junior to a $50,000,000 (undrawn) revolving loan and $280,000,000 of senior unsecured obligations. The Note is senior to $125,000,000 of cash equity contributed by third parties for their acquisition of the Equinox fitness club business. The Note matures on February 15, 2013 and bears interest at 14% through February 15, 2011, increasing by 3% per annum through maturity. The Note is prepayable at any time after February 15, 2009.

Mervyn s Loans

On April 12, 2006, we acquired a 23.6% interest in two mezzanine loans totaling $138,136,000, for $32,560,000 in cash. The loans mature in January 2008 with two one-year extension options and bear interest at LIBOR plus 3.84% (9.16% at December 31, 2006).

LNR Loans

In 2005, we made a $135,000,000 loan to Riley HoldCo Corp., consisting of a $60,000,000 mezzanine loan and a $75,000,000 fixed rate unsecured loan. We received principal payments on the mezzanine loan of $5,557,000 and $13,901,000, on February 6, 2006 and June 2, 2006, respectively. On July 12, 2006, the remaining $40,542,000 balance of the mezzanine loan was repaid with a pre-payment premium of $972,000, which was recognized as interest and other investment income in the year ended December 31, 2006.

Tharaldson Lodging Companies Loan

On June 16, 2006, we acquired an 81.5% interest in a $95,968,000 mezzanine loan to Tharaldson Lodging Companies for $78,166,000 in cash. The loan is secured by a 107 hotel property portfolio with brands including Fairfield Inn, Residence Inn, Comfort Inn and Courtyard by Marriott. The loan is subordinate to $671,778,000 of debt and is senior to approximately $192,000,000 of other debt and equity. The loan matures in April 2008, with three one-year extensions, provides for a 0.75% placement fee and bears interest at LIBOR plus 4.3% (9.6% at December 31, 2006).

Drake Hotel Loan

On June 19, 2006, we acquired a 49% interest in a $37,789,000 mezzanine loan for $18,517,000 in cash. The loan matures in April 2007, with a six month extension option and bears interest at LIBOR plus 10% (15.3% at December 31, 2006).

280 Park Avenue Loan

On June 30, 2006, we made a $73,750,000 mezzanine loan secured by the equity interests in 280 Park Avenue, a 1.2 million square foot office building, located between 48th and 49th Streets in Manhattan. The loan bears interest at 10.25% and matures in June 2016. The loan is subordinate to $1.036 billion of other debt and is senior to approximately $260,000,000 of equity and interest reserves.

Sheffield Loan

On July 7, 2006, we were repaid the $108,000,000 outstanding balance of the Sheffield mezzanine loan, together with accrued interest of $1,165,000 and a prepayment premium of $2,288,000, which was recognized as interest and other investment income in the year ended December 31, 2006.

Fortress Loan

On August 2, 2006, we purchased bonds for $99,500,000 in cash, representing a 7% interest in two margin loans aggregating $1.430 billion. The loans were made to two separate funds managed by Fortress Investment Group LLC and are secured by $4.4 billion (as of December 31, 2006) of publicly traded equity securities. The loans mature in June 2007 with an automatic extension to December 2007 and bear interest at LIBOR plus 3.5% (8.8% at December 31, 2006).

DEVELOPMENT AND REDEVELOPMENT PROJECTS

We are currently engaged in various development/redevelopment projects for which we have budgeted approximately $1.0 billion. Of this amount, $101.0 million was expended prior to 2006, $190.4 million was expended in 2006 and $476.2 million is estimated to be expended in 2007. Below is a description of these projects.

($ in millions)	Our Share of Estimated Completion Date	Estimated Project Cost	Costs Expended in Year Ended December 31, 2006	Estimated Costs to Complete
In Progress:				
Washington, DC Office:				
Crystal City:				
(i)Renovation of buildings	2008	$ 73.0	$ 16.6	$ 21.3
(ii)Cost to retenant	2008	72.0	17.8	38.5
(iii)Redevelopment of Crystal Plaza Two office space to residential (subject to governmental approvals)	2009	96.0	6.1	86.5
1925 K Street office building - demolition of existing 149,000 square foot building and construction of 250,000 square foot office building	2009	90.0	1.3	88.7
2101 L Street office building complete rehabilitation of existing building including new curtain wall, mechanical systems and lobbies	2007	89.0	8.5	80.3
Retail:				
Bergen Town Center interior and exterior renovation of existing space, demolition of 300,000 square feet and construction of 640,000 square feet of retail space and a parking deck	2008	211.0	22.2	175.2
Green Acres Mall interior and exterior renovation, construction of a parking deck and an additional 100,000 square feet of free-standing retail space anchored by Best Buy, and site-work for BJ s Wholesale Club who has constructed its own store	2007	84.0	37.9	35.0
North Bergen, New Jersey Ground-up Development acquisition of land and construction of 90,000 square feet of retail space and site work for BJ s Wholesale Club and Wal-Mart who will construct their own stores	2009	71.0	28.6	42.4
San Jose, California Ground-up Development (45% interest) acquisition of land and construction of 350,000 square feet of retail space and site work for Home Depot and Target who will construct their own stores	2008	62.0	31.1	30.9
Strip shopping centers and malls redevelopment of 17 properties	2008	60.0	2.1	56.0
Beverly Connection (50% interest) interior and exterior renovations	2007	48.0	16.5	11.5
Other:				
40 East 66th Street conversion of 27 rental apartments into residential condominiums, subject to the approval and execution of a condominium offering plan	2008	45.0	1.7	43.3
		$ 1,001.0	$ 190.4	$ 709.6

In addition to the projects above, on July 19, 2005 a joint venture, in which we have a 50% interest, entered into a Memorandum of Understanding and has been conditionally designated as the developer to convert a portion of the Farley Post Office in Manhattan which occupies the double super block between 31st and 33rd Streets from 8th to 9th Avenues into the new Moynihan Train Station. The plans for the Moynihan Station project involve 300,000 square feet for a new transportation facility to be financed with public funding, as well as 850,000 square feet of commercial space and up to 1 million square feet of air rights intended to be transferred to an adjacent site. We endeavor to expand this project to incorporate the adjacent super block (currently Penn Station, our 1.5 million square foot Two Penn Plaza and Madison Square Garden), adding 5.5 million square feet of multi-use development, which would require Madison Square Garden to relocate to the Farley Post Office building. This project is subject to governmental approvals.

We are evaluating other development opportunities, for which final plans and budgeted costs have yet to be determined, including: (i) plans to demolish the Hotel Pennsylvania and construct an office tower in excess of 2,000,000 square feet on the site (ii) redeveloping certain shopping malls, including the South Hills and Springfield Malls, (iii) redeveloping and expanding retail space and signage in the Penn Plaza area, (iv) redevelopment of the Filene s property (50% interest) located in the Downtown Crossing district of Boston to include over 1,200,000 square feet, consisting of office, retail and condominium apartments, (v) conversion of 220 Central Park South, a residential apartment building, to condominiums, (vi) construction of a 1,300,000 square foot mixed-use project (47.5% interest) containing retail and residential space in Boston s Waterfront District, (vii) construction of an office and retail building in excess of 600,000 square feet located at 125th Street and Park Avenue through a joint venture (40% interest) and (viii) development of condominiums and mixed-use, retail and residential projects in California, Boston and Florida.

There can be no assurance that any of the above projects will commence, or if commenced, be completed on schedule or within budget.

FINANCING ACTIVITIES

On February 16, 2006, we completed a public offering of $250,000,000 aggregate principal amount of 5.6% senior unsecured notes due February 15, 2011. Interest on the notes is payable semi-annually on February 15 and August 15, commencing August 16, 2006. The notes were priced at 99.906% of their face amount to yield 5.622%. The net proceeds from this offering, after underwriter s discount, were approximately $248,000,000.

On May 2, 2006, we sold 1,400,000 6.875% Series D-15 Cumulative Redeemable Preferred Units of the Operating Partnership at a price of $25.00 per unit. On August 17, 2006 we sold an additional 400,000 Series D-15 Units at a price of $25.00 per unit, for a combined total of 1,800,000 Series D-15 units and net proceeds of $43,875,000. We may redeem the Series D-15 Units at a price of $25.00 per unit after May 2, 2011.

On June 28, 2006, we entered into a $1.0 billion unsecured revolving credit facility which replaced our previous $600,000,000 unsecured revolving credit facility that was due to mature in July 2006. The new facility has a four-year term, with a one-year extension option and bears interest at LIBOR plus 0.55% (5.87% as of December 31, 2006). The new facility contains financial covenants similar to the prior facility. At December 31, 2006, this facility has a zero outstanding balance and $20,732,000 is reserved for outstanding letters of credit.

On July 28, 2006, we called for redemption of the Operating Partnership s 8.25% Series D-9 Cumulative Redeemable Preferred Units. The Preferred Units were redeemed on September 21, 2006 at a redemption price equal to $25.00 per unit or an aggregate of $45,000,000 plus accrued distributions. In conjunction with the redemption, we expensed $1,125,000 of issuance costs in 2006.

On November 20, 2006, we sold $1 billion aggregate principal amount of 3.625% convertible senior debentures due 2026, pursuant to an effective registration statement. The aggregate net proceeds from this offering, after underwriters discounts and expenses, were approximately $980,000,000. The debentures are convertible, under certain circumstances, for common shares of Vornado Realty Trust at an initial conversion rate of 6.5168 common shares per $1,000 of principal amount of debentures. The initial conversion price of $153.45 represents a premium of 30% over the November 14, 2006 closing price of $118.04 for our common shares. The debentures are redeemable at our option beginning in 2011 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures in 2011, 2016, and 2021 and in the event of a change in control. The net proceeds of the offering were contributed to the Operating Partnership in the form of an inter-company loan and the Operating Partnership guaranteed the payment of the debentures.

On December 11, 2006, we sold 8,100,000 common shares in an underwritten public offering pursuant to an effective registration statement at a price of $124.05 per share. We received net proceeds of approximately $1,004,500,000, after offering expenses and contributed the net proceeds to the Operating Partnership in exchange for 8,100,000 Class A units of the Operating Partnership.

During the period from January 1, 2006 through February 1, 2007, we also completed approximately $4.6 billion of property level financings and repaid approximately $2.0 billion of existing debt with a portion of the proceeds.

The net proceeds we received from the above financing activities were primarily used to fund 2006 acquisitions and investments and for other general corporate purposes. We may seek to obtain additional capital through equity offerings, debt financings or asset sales, although there is no express policy with respect thereto. We may also offer our shares or Operating Partnership units in exchange for property and may repurchase or otherwise re-acquire our shares or any other securities in the future.

SEASONALITY OF OUR BUSINESS

Our revenues and expenses are subject to seasonality during the year which impacts quarter-by-quarter net earnings, cash flows and funds from operations. The business of Toys R Us is highly seasonal. Historically, Toys R Us fourth quarter net income, which we record on a one-quarter lag basis in our first quarter, accounts for more than 80% of Toys fiscal year net income. The Office and Merchandise Mart segments have historically experienced higher utility costs in the third quarter of the year. The Merchandise Mart segment also has experienced higher earnings in the second and fourth quarters of the year due to major trade shows occurring in those quarters. The Retail segment revenue in the fourth quarter is typically higher due to the recognition of percentage rental income. The Temperature Controlled Logistics segment has experienced higher earnings in the fourth quarter due to higher activity and occupancy in warehouse operations due to the holiday season s impact on the food industry.

TENANTS ACCOUNTING FOR OVER 10% OF REVENUES

None of our tenants represented more than 10% of total revenues for the year ended December 31, 2006.

CERTAIN ACTIVITIES

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

EMPLOYEES

As of December 31, 2006, we have approximately 3,477 employees, including majority owned subsidiaries, of which 287 are corporate staff. The New York Office Properties segment has 106 employees and 1,582 employees of Building Maintenance Services, a wholly-owned subsidiary. The Washington, DC Office Properties, Retail Properties and Merchandise Mart Properties segments have 215, 194 and 572 employees, respectively, and the Hotel Pennsylvania has 521 employees. The forgoing does not include employees of AmeriCold Realty Trust and Toys R Us, Inc., of which we own 47.6% and 32.9%, respectively.

SEGMENT DATA

We operate in the following business segments: New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties, Temperature Controlled Logistics and Toys R Us. Financial information related to our business segments for the years 2006, 2005 and 2004 is set forth in Note 20 Segment Information to our consolidated financial statements in this annual report on Form 10-K.

The Merchandise Mart Properties segment has trade show operations in Canada. The Temperature Controlled Logistics segment manages one warehouse in Canada. The Toys R Us segment operates in 490 locations internationally. In addition, we have two partially owned nonconsolidated investments in real estate partnerships located in India, which are included in the Other segment.

PRINCIPAL EXECUTIVE OFFICES

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

MATERIALS AVAILABLE ON OUR WEBSITE

Copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as well as Reports on Forms 3, 4 and 5 regarding officers, trustees or 10% beneficial owners of us, filed or furnished pursuant to Section 13(a), 15(d) or 16(a) of the Securities Exchange Act of 1934 are available free of charge through our website (www.vno.com) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. We have also made available on our website copies of our Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, Code of Business Conduct and Ethics and Corporate Governance Guidelines. In the event of any changes to these charters or the code or guidelines, changed copies will also be made available on our website.

ITEM 1A. RISK FACTORS

Set forth below are material factors that may adversely affect our business and operations.

REAL ESTATE INVESTMENTS' VALUE AND INCOME FLUCTUATE DUE TO VARIOUS FACTORS.

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

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

- national, regional and local economic conditions;
- consequences of any armed conflict involving, or terrorist attack against, the United States;
- our ability to secure adequate insurance;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- competition from other available space;
- whether tenants and users such as customers and shoppers consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- whether we are able to pass some or all of any increased operating costs through to tenants;
- how well we manage our properties;
- fluctuations in interest rates;
- changes in real estate taxes and other expenses;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- changes in taxation or zoning laws;
- government regulation;
- Vornado Realty Trust s failure to continue to qualify as a real estate investment trust;
- availability of financing on acceptable terms or at all;
- potential liability under environmental or other laws or regulations; and
- general competitive factors.

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

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

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

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

From time to time, some of our tenants have declared bankruptcy, and other tenants may declare bankruptcy or become insolvent in the future. If a major tenant declares bankruptcy or becomes insolvent, the rental property at which it leases space may have lower revenues and operational difficulties. In the case of our shopping centers, the bankruptcy or insolvency of a major tenant could cause us to have difficulty leasing the remainder of the affected property. Our leases generally do not contain restrictions designed to ensure the creditworthiness of our tenants. As a result, the bankruptcy or insolvency of a major tenant could result in a lower level of net income and funds available for the payment of our indebtedness or for distribution to our shareholders.

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

Although inflation has not materially impacted our operations in the recent past, increased inflation could have a pronounced negative impact on our mortgage and debt interest and general and administrative expenses, as theses costs could increase at a rate higher than our rents. Inflation could also have an adverse effect on consumer spending which could impact our tenants   sales and, in turn, our overage rents, where applicable.

Real estate is a competitive business.

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

We may incur costs to comply with environmental laws.

Our operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment, including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair our ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) and underground storage tanks are also regulated by federal and state laws. We are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. We could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or tanks or related claims arising out of environmental contamination or human exposure at or from our properties.

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

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

We carry commercial liability and all risk property insurance ((i) fire, (ii) flood, (iii) extended coverage, (iv) acts of terrorism as defined in the Terrorism Risk Insurance Extension Act of 2005, which expires in 2007 and (v) rental loss insurance) with respect to our assets. Below is a summary of the current all risk property insurance and terrorism risk insurance in effect through September 2007 for each of the following business segments:

	Coverage Per Occurrence	
		Sub-Limits for
	All Risk (1)	**Acts of Terrorism**
New York Office	$1.4 billion	$750 million
Washington, DC Office	$1.4 billion	$750 million
Retail	$500 million	$500 million
Merchandise Mart	$1.4 billion	$750 million
Temperature Controlled Logistics	$225 million	$225 million

(1) Limited as to terrorism insurance by the sub-limit shown in the adjacent column.

In addition to the coverage above, we carry lesser amounts of coverage for terrorist acts not covered by the Terrorism Risk Insurance Extension Act of 2005. To the extent that we incur losses in excess of our insurance coverage, these losses would be borne by us and could be material.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), senior unsecured loans and our revolving credit agreement, contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage under these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, or if the Terrorism Risk Insurance Extension of 2005 is not extended past 2007, it could adversely affect our ability to finance and/or refinance our properties and expand our portfolio.

Because we operate one hotel property, we face the risks associated with the hospitality industry.

We own the Hotel Pennsylvania in New York City. If the hotel does not generate sufficient receipts, our cash flow would be decreased, which could reduce the amount of cash available for distribution to our shareholders. The following factors, among others, are common to the hotel industry, and may reduce the revenues generated by our hotel property:

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

Because of the ownership structure of our hotel, we face potential adverse effects from changes to the applicable tax laws.

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

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

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

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

16

OUR INVESTMENTS ARE CONCENTRATED IN THE NEW YORK AND WASHINGTON, DC METROPOLITAN AREAS. CIRCUMSTANCES AFFECTING THESE AREAS GENERALLY COULD ADVERSELY AFFECT OUR BUSINESS.

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

During 2006, approximately 67% of our EBITDA, excluding items that affect comparability, came from properties located in the New York City and Washington, DC metropolitan areas and in New Jersey. In addition, we may continue to concentrate a significant portion of our future acquisitions in these metropolitan areas or in other geographic real estate markets in the United States or abroad. Real estate markets are subject to economic downturns, as they have in the past, and we cannot predict how economic conditions will impact these markets in both the short and long term. Declines in the economy or a decline in the real estate markets in these areas could hurt our financial performance and the value of our properties. The factors affecting economic conditions in these regions include:

- space needs of the United States Government, including the effect of base closures and repositioning under the Defense Base Closure and Realignment Act of 1990, as amended;
- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries;
- infrastructure quality; and
- any oversupply of, or reduced demand for, real estate.

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

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

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

WE MAY ACQUIRE OR SELL ADDITIONAL ASSETS OR ENTITIES OR DEVELOP ADDITIONAL PROPERTIES. OUR FAILURE OR INABILITY TO CONSUMMATE THESE TRANSACTIONS OR MANAGE THE RESULTS OF THESE TRANSACTIONS COULD ADVERSELY AFFECT OUR OPERATIONS AND FINANCIAL RESULTS.

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

We have experienced rapid growth in recent years, increasing our total assets from approximately $565 million at December 31, 1997 to approximately $18.0 billion at December 31, 2006. We may not be able to maintain a similar rate of growth in the future or manage our growth effectively. Our failure to do so may have a material adverse effect on our financial condition and results of operations and ability to pay dividends to our shareholders.

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

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

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

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

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

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

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

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

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

Subject to limited exceptions, we are restricted from selling or otherwise transferring or disposing of certain properties located in the Crystal City area of Arlington, Virginia or an interest in our division that manages the majority of our office properties in the Washington, DC metropolitan area, which we refer to as the Washington, DC Office Division, for a period of 12 years with respect to certain properties located in the Crystal City area of Arlington, Virginia or six years with respect to an interest in the Washington, DC Office Division. These restrictions, which currently cover approximately 13.0 million square feet of space, could result in our inability to sell these properties or an interest in the Washington, DC Office Division at an opportune time and increase costs to us.

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

From time to time we make debt or equity investments in other companies that we may not control or over which we may not have sole control. These investments include but are not limited to: a 32.8% interest in Alexander s, Inc.; a 7.4% interest in The Lexington Master Limited Partnership; a 13.5% interest in GMH Communities L.P.; a 1.2% common equity interest in McDonalds Corporation; and equity and mezzanine investments in other real estate related companies. In addition, on July 21, 2005, a joint venture that we own equally with Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys R Us, Inc. Although these businesses generally have a significant real estate component, several operate in businesses that are different from our primary lines of business including, without limitation, operating or managing toy stores, department stores, fast food restaurants, and student and military housing facilities. Consequently, our investment in these businesses, among other risks, subjects us to the operating and financial risks of industries other than real estate and to the risk that we do not have sole control over the operations of these businesses. From time to time we may make additional investments in or acquire other entities that may subject us to additional similar risks. Our investments in entities over which we do not have sole control, including joint ventures, present additional risks such as our having differing objectives than our partners or the entities in which we invest, or our becoming involved in disputes, or competing with those persons. In addition, we rely on the internal controls and financial reporting controls of these entities and their failure to comply with applicable standards may adversely affect us.

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

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

We depend upon our anchor tenants to attract shoppers.

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

Our investment in Toys R Us, Inc. subjects us to risks different from our other lines of business and may result in increased seasonality and volatility in our reported earnings.

On July 21, 2005, a joint venture that we own equally with Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys R Us, Inc. (Toys). Because Toys is a retailer, its operations subject us to the risks of a retail company that are different than those presented by our other lines of business. The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. In addition, our fiscal year ends on December 31 whereas, as is common for retailers, Toys fiscal year ends on the Saturday nearest to January 31. Therefore, we record our pro-rata share of Toys net earnings on a one quarter-lag basis. For example, our financial results for the year ended December 31, 2006 include Toys financial results for its first, second and third quarters ended October 28, 2006, as well as Toys fourth quarter results of 2005. Because of the seasonality of Toys, our reported net income will likely show increased volatility. We may also, in the future and from time to time, invest in other businesses that may report financial results that are more volatile than our historical financial results.

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

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

We depend primarily on external financing to fund the growth of our business. This is because one of the requirements of the Internal Revenue Code of 1986, as amended, for a REIT is that it distribute 90% of its net taxable income, excluding net capital gains, to its shareholders. There is a separate requirement to distribute net capital gains or pay a corporate level tax in lieu thereof. Our access to debt or equity financing depends on the willingness of third parties to lend or make equity investments and on conditions in the capital markets generally. We and other companies in the real estate industry have experienced limited availability of financing from time to time. Although we believe that we will be able to finance any investments we may wish to make in the foreseeable future, new financing may not be available on acceptable terms.

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

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

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

Furthermore, the holders of preferred units of the Operating Partnership are entitled to receive preferred distributions before payment of distributions to holders of common units of the Operating Partnership, including Vornado Realty Trust. Thus, Vornado Realty Trust s ability to pay dividends to holders of its shares and satisfy its debt obligations depends on the Operating Partnership s ability first to satisfy its obligations to its creditors and make distributions payable to holders of preferred units and then to make distributions to Vornado Realty Trust. As of December 31, 2006, there were nine series of preferred units of the Operating Partnership not held by Vornado Realty Trust that have preference over Vornado Realty Trust common shares with a total liquidation value of $419,089,000.

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

We have indebtedness, and this indebtedness, and its cost, may increase.

As of December 31, 2006, we had approximately $9.6 billion in total debt outstanding. Our ratio of total debt to total enterprise value was approximately 35%. When we say enterprise value in the preceding sentence, we mean market equity value of Vornado Realty Trust s common and preferred shares plus total debt outstanding, including our pro rata share of the debt of partially owned entities. In the future, we may incur additional debt, and thus increase our ratio of total debt to total enterprise value, to finance acquisitions or property developments. If our level of indebtedness increases, there may be an increased risk of a credit rating downgrade or a default on our obligations that could adversely affect our financial condition and results of operations. In addition, in a rising interest rate environment, the cost of our existing variable rate debt and any new debt or other market rate security or instrument may increase.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

cause Vornado Realty Trust to issue additional authorized but unissued common shares or preferred shares;

classify or reclassify, in one or more series, any unissued preferred shares;

set the preferences, rights and other terms of any classified or reclassified shares that Vornado Realty Trust issues; and

increase, without shareholder approval, the number of shares of beneficial interest that Vornado Realty Trust may issue.

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

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

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

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

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

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

OUR OWNERSHIP STRUCTURE AND RELATED-PARTY TRANSACTIONS MAY GIVE RISE TO CONFLICTS OF INTEREST.

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

As of December 31, 2006, Interstate Properties, a New Jersey general partnership, and its partners owned approximately 8.5% of the common shares of Vornado Realty Trust and approximately 27.6% of the common stock of Alexander s, Inc. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, the managing general partner of Interstate Properties and the Chairman of the Board and Chief Executive Officer of Alexander s. Messrs. Wight and Mandelbaum are trustees of Vornado Realty Trust and also directors of Alexander s.

As of December 31, 2006, the Operating Partnership owned 32.8% of the outstanding common stock of Alexander s. Alexander s is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander s has seven properties, which are located in the New York City metropolitan area. Mr. Roth and Mr. Fascitelli, the President and a trustee of Vornado Realty Trust, are directors of Alexander s. Messrs. Mandelbaum, West and Wight are trustees of Vornado Realty Trust and are directors of Alexander s.

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

Vornado Realty Trust currently manages and leases the real estate assets of Interstate Properties under a management agreement for which it receives an annual fee equal to 4% of base rent and percentage rent and certain other commissions. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on 60 days notice at the end of the term. Vornado Realty Trust earned $798,000, $791,000, and $726,000 of management fees under the management agreement for the years ended December 31, 2006, 2005 and 2004. Because of the relationship among Vornado Realty Trust, Interstate Properties and Messrs. Roth, Mandelbaum and Wight, as described above, the terms of the management agreement and any future agreements between Vornado Realty Trust and Interstate Properties may not be comparable to those Vornado Realty Trust could have negotiated with an unaffiliated third party.

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

As of December 31, 2006, the Operating Partnership owned 32.8% of the outstanding common stock of Alexander s. Alexander s is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander s has seven properties. Interstate Properties, which is described above, and its partners owned an additional 27.6% of the outstanding common stock of Alexander s, as of December 31, 2006. Mr. Roth, Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, is Chief Executive Officer, a director of Alexander s and managing general partner of Interstate, and Mr. Fascitelli, President and a trustee of Vornado Realty Trust, is President and a director of Alexander s. Messrs. Mandelbaum, West and Wight, trustees of us, are also directors of Alexander s and general partners of Interstate. Alexander s common stock is listed on the New York Stock Exchange under the symbol ALX.

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

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

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

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

As of December 31, 2006, we had authorized but unissued, 48,906,627 common shares of beneficial interest, $.04 par value, and 75,948,365 preferred shares of beneficial interest, no par value, of which 20,241,264 preferred shares have not been reserved and remain available for issuance as a newly-designated class of preferred. We may issue these authorized but unissued shares from time to time in public or private offerings or in connection with acquisitions.

In addition, as of December 31, 2006, 15,419,758 Vornado Realty Trust common shares were reserved for issuance upon redemption of Operating Partnership common units. Some of these shares may be sold in the public market after registration under the Securities Act under registration rights agreements between Vornado Realty Trust and some holders of common units of the Operating Partnership. These shares may also be sold in the public market under Rule 144 under the Securities Act or other available exemptions from registration. In addition, Vornado Realty Trust has reserved a number of common shares for issuance under its employee benefit plans, and these common shares will be available for sale from time to time. Vornado Realty Trust has awarded shares of restricted stock and granted options to purchase additional common shares to some of its executive officers and employees. Of the authorized but unissued common and preferred shares above, 42,744,218 common and 46,889,336 preferred shares, in the aggregate, were reserved for issuance of shares upon the redemption of Operating Partnership units, conversion of outstanding convertible securities, under benefit plans or for other activity not directly under our control.

We cannot predict the effect that future sales of Vornado Realty Trust common and preferred shares or Operating Partnership common and preferred units will have on the market prices of Vornado Realty Trust s outstanding shares.

Changes in market conditions could hurt the market price of Vornado Realty Trust s shares.

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

- the extent of institutional investor interest in us;
- the reputation of REITs generally and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- our financial condition and performance; and
- general financial market conditions.

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 2. PROPERTIES

We own Office, Retail and Merchandise Mart properties and Temperature Controlled Logistics refrigerated warehouses. We also have investments in Toys R Us, Alexander s, The Lexington Master Limited Partnership (formerly The Newkirk Master Limited Partnership), GMH Communities L.P., Hotel Pennsylvania and industrial buildings. Below are the details of our properties by operating segment.

OFFICE SEGMENTS

As of December 31, 2006, we own all or a portion of 116 properties containing approximately 31.7 million square feet. Of these properties, 25 containing 13.7 million square feet are located in the New York City metropolitan area (primarily Manhattan) (the New York Office Properties) and 91 containing 18.0 million square feet are located in the Washington, DC and Northern Virginia area (the Washington, DC Office Properties).

New York Office Properties:

New York Office Properties contain 13.7 million square feet, including 12.7 million square feet of office space, 785,000 square feet of retail space and 183,000 square feet of showroom space. In addition, the New York Office Properties contain six garages totaling 368,000 square feet (1,739 spaces) which are managed by or leased to third parties. The garage space is excluded from the statistics provided in this section.

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

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot (excluding retail space)
2006	13,692,000	97.5%	$ 46.33
2005	12,972,000	96.0%	43.67
2004	12,989,000	95.5%	42.22
2003	12,829,000	95.1%	40.68
2002	13,546,000	95.7%	37.62

2006 New York Office Properties rental revenue by tenants industry:

Industry	Percentage
Retail	14%
Publishing	8%
Government	8%
Finance	7%
Legal	7%
Banking	6%
Technology	5%
Pharmaceuticals	5%
Real Estate	4%
Service Contractors	4%
Communications	4%
Not-for-Profit	3%
Insurance	3%

Engineering	3%
Advertising	2%
Health Services	1%
Other	16%
	100%

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

Tenants accounting for 2% or more of 2006 New York Office Properties total revenues:

Tenant	Square Feet Leased	2006 Revenues	Percentage of New York City Office Revenues	Percentage of Total Company Revenues
The McGraw-Hill Companies, Inc.	536,000	$ 22,859,000	3.3%	0.8%
VNU Inc.	515,000	20,695,000	3.0%	0.8%
Sterling Winthrop, Inc.	429,000	19,398,000	2.8%	0.7%
Federated Department Stores	467,000	18,192,000	2.7%	0.7%
New York Stock Exchange, Inc.	348,000	15,822,000	2.3%	0.6%
Cablevision/Madison Square Garden L.P./				
Rainbow Media Holdings, Inc.	310,000	15,416,000	2.3%	0.6%
U.S. Government	639,000	14,906,000	2.2%	0.5%

2006 New York Office Leasing Activity:

Location	Square Feet	Average Initial Rent Per Square Foot(1)
1740 Broadway	360,000	$ 58.08
Two Penn Plaza	320,000	43.82
One Penn Plaza	294,000	47.60
Eleven Penn Plaza	253,000	46.00
888 Seventh Avenue	133,000	78.39
866 U.N. Plaza	65,000	48.52
150 East 58th Street	59,000	51.11
595 Madison	45,000	59.57
90 Park Avenue	45,000	52.22
909 Third Avenue	44,000	50.84
330 Madison Avenue (25% interest)	31,000	57.11
40 Fulton Street	28,000	27.48
640 Fifth Avenue	20,000	57.50
57th Street (50% interest)	16,000	49.73
20 Broad Street	10,000	29.27
Total	1,723,000	51.76
Vornado s Ownership Interest	1,693,000	51.69

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

In addition to the office space noted above, in 2006 we leased 37,000 square feet of retail space contained in the above office buildings at a weighted average initial rent of $113.31 per square foot.

27

Lease expirations as of December 31, 2006 assuming none of the tenants exercise renewal options:

Office Space:			Percentage of	Annual Escalated Rent of Expiring Leases	
Year	Number of Expiring Leases	Square Feet of Expiring Leases	New York Office Square Feet	Total	Per Square Foot
Month to month	66	106,000	0.9%	$3,899,000	$ 36.78
2007	93	364,000	3.0%	15,507,000	42.60
2008	79	1,053,000	(1) 8.7%	48,953,000	46.49
2009	132	914,000	7.5%	42,880,000	46.91
2010	92	1,191,000	9.8%	54,067,000	45.40
2011	67	863,000	7.1%	44,802,000	51.91
2012	48	1,009,000	8.3%	40,610,000	40.25
2013	22	556,000	4.6%	22,122,000	39.79
2014	42	374,000	3.1%	17,517,000	46.84
2015	47	2,148,000	17.7%	104,456,000	48.63
2016	21	772,000	6.4%	35,041,000	45.39

(1) Excludes 492,000 square feet at 909 Third Avenue leased to the U.S. Post Office through 2038 (including six five-year renewal options) for which the annual escalated rent is $10.82 per square foot.

Retail Space (contained in office buildings):			Percentage of	Annual Escalated Rent of Expiring Leases	
Year	Number of Expiring Leases	Square Feet of Expiring Leases	New York Office Square Feet	Total	Per Square Foot
Month to month	6	24,000	3.1%	$975,000	$ 40.63
2007	3	14,000	1.8%	502,000	35.86
2008	10	33,000	4.2%	2,626,000	79.58
2009	4	18,000	2.3%	3,058,000	169.89
2010	6	9,000	1.2%	1,022,000	113.56
2011	4	19,000	2.5%	935,000	49.21
2012	6	49,000	6.4%	2,380,000	48.57
2013	10	40,000	5.1%	4,365,000	109.13
2014	10	75,000	9.7%	13,417,000	178.89
2015	9	31,000	4.0%	6,271,000	202.29
2016	4	319,000	41.1%	15,678,000	49.15

New York Office Properties owned by us as of December 31, 2006:

Location	**Approximate Leasable Building Square Feet**	**Percent Leased**	**Encumbrances (in thousands)**
NEW YORK (Manhattan)			
One Penn Plaza			
(ground leased through 2098)	2,402,000	99.0%	$
Two Penn Plaza	1,561,000	98.8%	296,428
909 Third Avenue			
(ground leased through 2063)	1,313,000	100.0%	220,314
Eleven Penn Plaza	1,047,000	95.1%	213,651
770 Broadway	1,045,000	99.8%	353,000
90 Park Avenue	893,000	99.8%	
888 Seventh Avenue			
(ground leased through 2067)	841,000	97.1%	318,554
330 Madison Avenue (25% interest)	789,000	96.8%	60,000
330 West 34th Street			
(ground leased through 2148)	637,000	94.7%	
1740 Broadway	593,000	99.4%	
350 Park Avenue	538,000	100.0%	430,000
150 East 58th Street (1)	527,000	92.9%	
20 Broad Street			
(ground leased through 2081)	468,000	86.0%	
866 United Nations Plaza	348,000	93.4%	45,467
640 Fifth Avenue	316,000	97.3%	
595 Madison Avenue (Fuller Building)	311,000	97.5%	
40 Fulton Street	242,000	98.9%	
57th Street (50% interest)	174,000	97.8%	29,000
825 Seventh Avenue (50% interest)	165,000	100.0%	22,159
689 Fifth Avenue	87,000	96.1%	
40-42 Thompson Street	28,000	100.0%	
NEW JERSEY			
Paramus	128,000	86.5%	
Total Office Buildings	14,453,000	97.5%	$ 1,988,573
Vornado s Ownership Interest	13,692,000	97.5%	$ 1,917,994

(1) Less than 10% of this property is ground leased.

29

Washington, DC Office Properties:

As of December 31, 2006, we own 91 properties aggregating 18.0 million square feet in the Washington, DC and Northern Virginia area consisting of 70 office buildings, 2 residential properties and a hotel property, and a 50% interest in 18 buildings through our acquisition of H Street Building Corporation. As of December 31, 2006, 3 buildings are out of service for redevelopment. We manage an additional 4.7 million square feet of office and other commercial properties. In addition, the Washington, DC Office Properties portfolio includes 22 garages totaling approximately 7.9 million square feet (27,000 spaces) which are managed by or leased to third parties. The garage space is excluded from the statistics provided in this section.

As of December 31, 2006, 27 percent of the space in the Washington, DC Office Properties portfolio is leased to various agencies of the U.S. government.

Occupancy and average annual escalated rent per square foot:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2006	18,015,000	92.2%	$ 31.90
2005	17,727,000	91.2%	31.49
2004	14,216,000	91.5%	30.06
2003	13,963,000	93.9%	29.64
2002	13,395,000	93.6%	29.38

2006 rental revenue by tenants industry:

Industry	Percentage
U.S. Government	36%
Governmental Contractors	26%
Legal Services	8%
Communication	4%
Membership Organizations	3%
Manufacturing	3%
Real Estate	2%
Computer and Data Processing	2%
Health Services	2%
Business Services	1%
Television Services	1%
Education	1%
Other	11%
	100%

Washington, DC Office Properties leases are typically for four to seven year terms, and may provide for extension options at either pre-negotiated or market rates. Most leases provide for annual rental escalations throughout the lease term, plus recovery of increases in real estate taxes and certain property operating expenses over a base year. Annual rental escalations are typically based upon either fixed percentage increases or the consumer price index. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant s initial construction costs of its premises.

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

Tenant	Square Feet Leased	2006 Revenues	Percentage of Washington, DC Office Revenues	Percentage of Total Company Revenues
U.S. Government (127 separate leases)	4,697,000	$134,306,000	25%	5.0%
Howrey Simon Arnold & White	317,000	18,854,000	4%	0.7%
Science Applications International Corp	440,000	12,005,000	2%	0.4%
TKC Communications	309,000	11,677,000	2%	0.4%

2006 Washington, DC Leasing Activity:

Location	Square Feet	Average Initial Rent Per Square Foot[(1)]
Crystal City:		
Crystal Park	497,000	$ 34.45
Crystal Square	367,000	33.29
Crystal Gateway	172,000	34.42
Crystal Plaza	151,000	31.39
Total Crystal City	1,187,000	33.70
Skylines	370,000	28.14
Commerce Executive	130,000	24.23
Tysons Dulles	81,000	29.00
Rosslyn Plaza (46% Interest)	66,000	25.11
Reston Executive	64,000	28.46
Courthouse Plaza	54,000	32.72
Bowen Building	40,000	47.50
1140 Connecticut Avenue	32,000	35.64
1101 17th Street	29,000	36.28
1750 Pennsylvania	26,000	34.59
Democracy Plaza	25,000	32.65
1730 M Street	23,000	35.46
1150 17th Street	10,000	35.57
1726 M Street	9,000	36.57
Arlington Plaza	8,000	32.14
Warner Building	2,000	23.24
Other partially owned properties	8,000	33.00
	2,164,000	31.90

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

Lease expirations as of December 31, 2006 assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Washington, DC Office Square Feet	Annual Escalated Rent of Expiring Leases Total	Per Square Foot
Month to month	86	541,000	3.6%	$ 15,307,000	$ 28.30
2007	274	1,519,000	10.2%	48,811,000	32.13
2008	211	1,493,000	10.0%	46,727,000	31.30
2009	194	1,669,000	11.2%	51,199,000	30.68
2010	159	1,490,000	10.0%	47,100,000	31.62
2011	138	1,994,000	13.4%	63,225,000	31.70
2012	55	1,049,000	7.0%	34,035,000	32.45
2013	36	515,000	3.5%	19,115,000	37.15
2014	29	680,000	4.6%	18,767,000	27.60
2015	32	968,000	6.5%	27,309,000	28.20
2016	20	689,000	4.6%	22,438,000	32.57

Space previously occupied by the U.S. Patent and Trademark Office (PTO)

During 2004 and 2005, the PTO vacated 1,939,000 square feet of space at our Crystal City properties. Of this space, Crystal Plaza Two, Three and Four, aggregating 712,000 square feet was taken out of service for redevelopment. During 2006, the redevelopment of Crystal Plaza Three and Four, aggregating 531,000 square feet, was substantially completed, placed into service and re-leased. As of December 31, 2006, we have re-leased a total of 1,247,000 square feet of the former PTO space and 181,000 square feet, representing Crystal Plaza Two, remains out of service for conversion to a 19-story residential tower.

Washington, DC Office Properties owned by us as of December 31, 2006:

Location/Complex	**Number of Buildings**	**Approximate Leasable Building Square Feet**	**Percent Leased**	**Encumbrances (in thousands)**
Crystal City:				
Crystal Park	5	2,236,000	68.7%	$ 201,013
Crystal Gateway	5	1,486,000	95.2%	191,909
Crystal Square	4	1,443,000	98.5%	185,239
Crystal Plaza (including Crystal Plaza Two, containing 181,000 square feet, is under development)	7	1,259,000	88.0%	
Crystal Mall (including Crystal Mall Two, containing 236,000 square feet, is under development)	4	1,137,000	98.9%	42,676
Crystal City Hotel	1	266,000	100.0%	
Crystal Drive Retail	1	57,000	88.4%	
Total Crystal City	27	7,884,000	87.4%	620,837
Skyline	7	2,100,000	98.0%	93,803
Courthouse Plaza (ground leased through 2062)	2	624,000	97.5%	74,413
Warner Building	1	603,000	93.1%	292,700
Reston Executive	3	490,000	94.4%	93,000
Tysons Dulles	3	479,000	95.6%	
One Skyline Tower	1	473,000	100.0%	61,555
Commerce Executive	3	389,000	99.8%	50,522
2101 L Street (under development)	1	350,000		
1750 Pennsylvania Avenue	1	256,000	99.4%	47,803
Bowen Building	1	232,000	99.7%	115,022
1150 17th Street	1	230,000	96.5%	30,846
Democracy Plaza I (ground leased through 2084)	1	211,000	96.9%	
1101 17th Street	1	210,000	97.1%	25,545
1730 M Street (ground leased through 2061)	1	195,000	94.8%	15,948
Arlington Plaza	1	188,000	11.4%	19,162
1140 Connecticut Avenue	1	184,000	99.3%	18,893
1925 K Street, NW	1	149,000	100.0%	19,422
1726 M Street	1	86,000	99.8%	
South Capitol	3	56,000	100.0%	
Partially owned:				
H Street equity interests (3.75% to 50% interests):				
Owned by H Street	13	1,224,000	96.7%	62,167
Owned by tenant on land leased from H Street	5	814,000	100.0%	
Total	18	2,038,000	98.0%	62,167
Rosslyn Plaza (46% interest)	6	434,000	96.2%	26,918
Fairfax Square (20% interest)	3	105,000	96.7%	13,036
Kaempfer equity interests (2.5% to 5.0%)	3	49,000	97.4%	6,241
Total Washington, DC	91	18,015,000	92.2%	$ 1,687,833

32

RETAIL PROPERTIES SEGMENT

As of December 31, 2006, we own 158 retail properties, of which 131 are strip shopping centers located primarily in the Northeast and Mid-Atlantic, and in California; 8 are regional malls located in New York, New Jersey, Virginia and San Juan, Puerto Rico; and 19 are retail properties located in New York City. Our strip shopping centers and malls are generally located on major regional highways in mature, densely populated areas. We believe these properties attract consumers from a regional, rather than a neighborhood market place because of their location on regional highways.

Strip Shopping Centers:

Our strip shopping centers contain an aggregate of 13.0 million square feet and are substantially (over 80%) leased to large stores (over 20,000 square feet). Tenants include destination retailers such as discount department stores, supermarkets, home improvement stores, discount apparel stores and membership warehouse clubs. Tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price and location.

Regional Malls:

The Green Acres Mall in Long Island, New York contains 1.8 million square feet, and is anchored by Sears, J.C. Penney, Macy s and Macy s Furniture Gallery, Wal-Mart and a BJ s Wholesale Club. We are renovating the interior and exterior of the mall and constructing 100,000 square feet of free-standing retail space and parking decks. The expansion and renovation are expected to be completed during 2007.

The Monmouth Mall in Eatontown, New Jersey, owned 50% by us, contains 1.4 million square feet and is anchored by Macy s, Lord & Taylor, J.C. Penney and Boscovs, three of which own their stores aggregating 719,000 square feet. The joint venture plans to construct 80,000 square feet of free-standing retail space in the mall complex, subject to governmental approvals. The expansion is expected to be completed during 2008.

The Springfield Mall in Springfield, Virginia contains 1.4 million square feet and is anchored by Macy s, and J.C. Penney and Target who own their stores aggregating 390,000 square feet. We intend to redevelop, reposition and re-tenant the mall and have committed to spend $25,000,000 in capital expenditures over a six-year period through January 31, 2012.

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

The Bergen Town Center in Paramus, New Jersey, as currently exists, contains 900,000 square feet. We plan to demolish approximately 300,000 square feet and construct approximately 500,000 square feet of retail space, which will bring the total square footage of the mall to approximately 1,100,000, subject to government approvals. As of December 31, 2006, we have taken 510,000 square feet out of service for redevelopment. We have leased 416,000 square feet to Century 21, Whole Foods and Target (ground leased). The expansion and renovations, as planned, are expected to be completed during 2008.

The South Hills Mall in Poughkeepsie, New York contains 668,000 square feet and is anchored by Kmart and Burlington Coat Factory. We plan to redevelop the property as a strip shopping center, subject to governmental approvals.

The Montehiedra Mall in San Juan, Puerto Rico contains 563,000 square feet and is anchored by Home Depot, Kmart, and Marshalls.

The Las Catalinas Mall in San Juan, Puerto Rico, contains 496,000 square feet and is anchored by Kmart and Sears, which owns its 140,000 square foot store.

Occupancy and average annual base rent per square foot:

At December 31, 2006, the aggregate occupancy rate for the 19,264,000 square feet of Retail Properties was 92.7%.

Strip Centers:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Base Rent Per Square Foot
2006	12,933,000	92.9%	$ 13.48
2005	10,750,000	95.5%	12.07
2004	9,931,000	94.5%	12.00
2003	8,798,000	92.3%	11.91
2002	9,295,000	85.7%	11.11

Regional Malls:

			Average Annual Base Rent Per Square Foot	
As of December 31,	Rentable Square Feet	Occupancy Rate	Mall Tenants	Total
2006	5,640,000	93.4%	$ 32.64	$ 18.12
2005	4,817,000	96.2%	31.83	18.24
2004	3,766,000	93.1%	33.05	17.32
2003	3,766,000	94.1%	31.08	16.41
2002	2,875,000	95.4%	27.79	17.15

Manhattan Retail:

Manhattan retail is comprised of 19 properties containing 691,000 square feet, which were 83.6% occupied at December 31, 2006.

2006 rental revenue by type of retailer:

Industry	Percentage
Department Stores	17%
Supermarkets	11%
Family Apparel	11%
Women s Apparel	7%
Home Improvement	6%
Restaurants	6%
Home Entertainment and Electronics	6%
	5%

Banking and Other Business Services	
Home Furnishings	3%
Personal services	3%
Sporting Goods	2%
Other	23%
	100%

Shopping center lease terms range from five years or less in some instances for smaller tenant spaces to as long as 25 years for major tenants. Leases generally provide for additional rents based on a percentage of tenants sales and pass through to tenants the tenants share of all common area charges (including roof and structure in strip shopping centers, unless it is the tenant s direct responsibility), real estate taxes and insurance costs and certain capital expenditures. Percentage rent accounted for less than 1% of total shopping center revenues in 2006. None of the tenants in the Retail segment accounted for more than 10% of our 2006 total revenues.

Tenants accounting for 2% or more of 2006 Retail Properties total revenues:

Tenant	Square Feet Leased	2006 Revenues	Percentage of Retail Revenues	Percentage of Total Company Revenues
Wal-Mart/Sam s Wholesale	1,599,000	$ 14,887,000	3.7%	0.5%
The Home Depot, Inc	758,000	12,793,000	3.2%	0.5%
Stop & Shop Companies, Inc. (Stop & Shop)	320,000	9,948,000	2.5%	0.4%
Hennes & Mauritz	83,000	9,583,000	2.4%	0.4%
Federated Department Stores	1,031,000	9,430,000	2.4%	0.3%
The TJX Companies, Inc.	455,000	7,824,000	2.0%	0.3%

Lease expirations as of December 31, 2006 assuming none of the tenants exercise renewal options:

				Annual Escalated Rent of Expiring Leases	
Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Retail Square Feet	Total	Per Square Foot
Month to month	153	283,000	2.8%	$ 5,502,000	$ 19.48
2007	187	702,000	6.9%	15,636,000	22.26
2008	181	1,389,000	13.7%	23,790,000	17.13
2009	152	939,000	9.3%	18,186,000	19.36
2010	112	881,000	8.7%	17,135,000	19.44
2011	134	1,309,000	12.9%	22,684,000	17.34
2012	70	748,000	7.4%	11,864,000	15.86
2013	96	1,094,000	10.8%	19,009,000	17.37
2014	80	1,038,000	10.3%	18,760,000	18.08
2015	93	765,000	7.6%	16,108,000	21.07
2016	86	973,000	9.6%	17,467,000	17.95

2006 Retail Properties Leasing Activity:

Location	Square Feet	Average Initial Rent Per Square Foot [1]
North Bergen, NJ	264,000	$ 15.61
Garfield, NJ	135,000	7.41
Bricktown, NJ	105,000	13.22
Springfield Mall, Springfield VA	62,000	20.72
Totowa, NJ	45,000	16.24
Green Acres Mall, Valley Stream, NY	45,000	36.02
York, PA	38,000	7.70
Monmouth Mall, Eatontown, NJ (50%)	37,000	34.22
Montehiedra Mall, Puerto Rico	34,000	49.10
Towson, MD	34,000	19.51
North Plainfield, NJ	32,000	19.82
Allentown, PA	31,000	18.25
Marlton, NJ	30,000	25.51
Gun Hill Road, Bronx, NY	30,000	26.00
Hackensack, NJ	26,000	22.40
Eatontown, NJ	23,000	26.58
Broomall, PA	20,000	18.29
Queens, NY	20,000	28.06
Staten Island, NY	19,000	22.72
South Hills Mall, Poughkeepsie, NY	15,000	10.38
Bergen Town Center, Paramus, NJ	14,000	23.00
Springfield, MA	13,000	13.36
Las Catalinas Mall, Puerto Rico	12,000	60.57
Bensalem, PA	11,000	18.18
Bethlehem, PA	10,000	15.38
Woodbridge, NJ	10,000	32.36
Middletown, NJ	8,000	23.98
Broadway Mall, Hicksville, NY	7,000	45.35
25 West 14th Street, New York, NY	7,000	91.89
Rockaway, NJ	6,000	25.69
Cherry Hill, NJ	5,000	19.00
Morris Plains, NJ	5,000	28.67
East Hanover, NJ	4,000	25.78
Inwood, NY	4,000	25.00
Lawnside, NJ	3,000	16.81
Glen Burnie, MD	3,000	9.55
Delran, NJ	3,000	17.07
Jersey City, NJ	3,000	38.00
Watchung, NJ	3,000	15.00
40 East 66th Street, New York, NY	3,000	696.32
828-850 Madison Avenue, New York, NY	2,000	715.83
East Hanover II, NJ	2,000	28.00
Amherst, NY	1,000	21.25
	1,184,000	22.79

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

Retail Properties owned by us as of December 31, 2006:

	Approximate Leasable Building Square Footage					
Location	**Total Property**	**Owned by Company**	**Owned by Tenant on Land Leased from Company**	**Percent Leased**	**Encumbrances (in thousands)**	
REGIONAL MALLS:						
Green Acres Mall, Valley Stream, NY (10% ground and building leased through 2039) (excludes 212,000 square feet in development)	1,620,000	1,497,000	123,000	92.6%	$ 140,391	
Bergen Town Center, Paramus, NJ (excludes 857,000 square feet in development)	386,000	386,000		100.0%		
Springfield Mall, Springfield, VA (97.5% ownership)	1,403,000 (1)	1,013,000		83.2%	193,501	
Broadway Mall, Hicksville, NY	1,140,000 (1)	764,000	235,000	95.6%	99,154	
Monmouth Mall, Eatontown, NJ (50% ownership) (excludes 50,000 square feet in development)	1,422,000 (1)	703,000		94.0%	165,000	
South Hills Mall, Poughkeepsie, NY (excludes 291,000 square feet in development)	377,000	377,000		100.0%		
Montehiedra, Puerto Rico	563,000	563,000		99.5%	120,000	
Las Catalinas, Puerto Rico	496,000 (1)	356,000		95.4%	63,402	
Total Regional Malls	7,407,000	5,659,000	358,000	93.6%	$ 781,448	
Vornado s ownership interest	5,640,000	5,282,000	358,000	93.4%	$ 694,110	
STRIP SHOPPING CENTERS:						
NEW JERSEY						
North Bergen Ground-up Development (Tonnelle Avenue) (excludes 410,000 square feet in development)					$	
East Hanover I and II	353,000	347,000	6,000	100.0%	25,978	(2)
Totowa	317,000	178,000	139,000	100.0%	28,113	(2)
Union	279,000	120,000	159,000	98.4%	31,928	(2)
Bricktown	276,000	273,000	3,000	100.0%	15,518	(2)
Hackensack	273,000	207,000	66,000	97.0%	23,805	(2)
Cherry Hill	264,000	58,000	206,000	99.2%	14,272	(2)
Jersey City	236,000	66,000	170,000	100.0%	18,224	(2)
Middletown	232,000	180,000	52,000	98.9%	15,655	(2)
East Brunswick I	231,000	221,000	10,000	100.0%	21,668	(2)
Woodbridge	227,000	87,000	140,000	100.0%	21,044	(2)
North Plainfield (ground leased through 2060)	219,000	219,000		89.5%	10,359	(2)
Manalapan	198,000	196,000	2,000	100.0%	11,927	(2)
East Brunswick II	196,000	33,000	163,000	100.0%	7,926	
Marlton	181,000	174,000	7,000	100.0%	11,597	(2)
Bordentown	179,000	179,000		100.0%	7,679	(2)
Morris Plains	178,000	177,000	1,000	97.9%	11,460	(2)
Delran	171,000	168,000	3,000	95.5%	6,117	(2)
Lodi (Route 17 North)	171,000	171,000		100.0%	8,937	(2)
Dover	167,000	167,000		97.5%	6,994	(2)
Watchung	166,000	50,000	116,000	85.8%	12,882	(2)
Lawnside	145,000	142,000	3,000	100.0%	10,084	(2)
Kearny	104,000	32,000	72,000	100.0%	3,558	(2)
Turnersville	96,000	89,000	7,000	100.0%	3,889	(2)
Lodi (Washington Street)	85,000	85,000		100.0%	11,522	
North Bergen	63,000	7,000	56,000	100.0%	3,773	(2)
Eatontown	30,000	30,000		100.0%		
Montclair	18,000	18,000		100.0%	1,831	(2)
Total New Jersey	5,055,000	3,674,000	1,381,000		346,740	
PENNSYLVANIA						
Allentown	627,000	270,000	357,000	100.0%	22,123	(2)

Philadelphia (excludes 80,000 square feet in development)	350,000	350,000		96.6%	8,522	(2)
Lancaster	228,000	58,000	170,000	100.0%		

	Approximate Leasable Building Square Footage					
Location	**Total Property**	**Owned by Company**	**Owned by Tenant on Land Leased from Company**	**Percent Leased**	**Encumbrances (in thousands)**	
Bensalem	184,000	176,000	8,000	100.0%	6,113	(2)
Broomall	169,000	147,000	22,000	100.0%	9,303	(2)
Bethlehem	167,000	164,000	3,000	99.0%	3,869	(2)
Upper Moreland	122,000	122,000		100.0%	6,614	(2)
York	110,000	110,000		100.0%	3,912	(2)
Levittown	105,000	105,000		100.0%	3,126	(2)
Glenolden	102,000	10,000	92,000	100.0%	6,978	(2)
Wilkes-Barre (ground and building leased through 2040)	81,000	81,000		50.1%		
Wyomissing (ground and building leased through 2065)	79,000	79,000		85.2%		
Total Pennsylvania	2,324,000	1,672,000	652,000		70,560	
NEW YORK						
Buffalo (Amherst) (ground leased through 2017)	297,000	185,000	112,000	63.9%	6,669	(2)
Rochester	205,000		205,000	100.0%		
Freeport (437 East Sunrise Highway)	167,000	167,000		100.0%	14,087	(2)
Staten Island	165,000	165,000		95.6%	19,232	
Rochester (Henrietta) (ground leased through 2056)	158,000	158,000		67.1%		
Albany (Menands)	140,000	140,000		74.0%	5,918	(2)
New Hyde Park (ground and building leased through 2029)	101,000	101,000		100.0%	7,110	(2)
Inwood	100,000	100,000		94.1%		
North Syracuse (ground and building leased through 2014)	98,000		98,000	100.0%		
Bronx (excludes 56,000 square feet in development)	11,000	11,000		100.0%		
Queens	58,000	58,000		98.7%		
Total New York	1,500,000	1,085,000	415,000		53,016	
MARYLAND						
Baltimore (Towson)	152,000	152,000		71.1%	10,841	(2)
Annapolis (ground and building leased through 2042)	128,000	128,000		100.0%		
Glen Burnie	121,000	65,000	56,000	100.0%	5,579	(2)
Rockville	94,000	94,000		100.0%	14,883	
Total Maryland	495,000	439,000	56,000		31,303	
MASSACHUSETTS						
Chicopee	156,000		156,000	100.0%		
Springfield	146,000	29,000	117,000	100.0%	2,974	(2)
Milford (ground and building leased through 2019)	83,000	83,000		100.0%		
Total Massachusetts	385,000	112,000	273,000		2,974	
CALIFORNIA						
San Jose (45% ownership) (excludes 646,000 square feet in development)					50,659	
Beverly Connection, Los Angeles (50% ownership) (excludes 47,000 square feet in development)	191,000	191,000		100.0%	170,000	
San Francisco (275 Sacramento Street)	76,000	76,000		100.0%		
San Francisco (340 Pine Street) (95% ownership)	54,000	54,000		69.9%		
San Francisco (3700 Geary Boulevard)	30,000	30,000		100.0%		
Walnut Creek	29,000	29,000		100.0%		
Total California	380,000	380,000			220,659	
CONNECTICUT						
Newington	188,000	43,000	145,000	100.0%	6,231	(2)
Waterbury	148,000	143,000	5,000	100.0%	5,874	(2)
Total Connecticut	336,000	186,000	150,000		12,105	
VIRGINIA						
Norfolk (ground and building leased through 2069)	114,000	114,000		100.0%		
MICHIGAN						
Roseville	104,000	104,000		100.0%		