VORNADO REALTY TRUST
Form 10-K/A
June 10, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the Fiscal Year Ended: December 31, 2004

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
8.5% Series B Cumulative Redeemable Preferred Shares of beneficial interest, no par value	New York Stock Exchange
8.5% Series C Cumulative Redeemable Preferred Shares of beneficial interest, no par value	New York Stock Exchange
7.0% Series E Cumulative Redeemable Preferred Shares of beneficial interest, no par value	New York Stock Exchange
6.75% Series F Cumulative Redeemable Preferred Shares of beneficial interest, no par value	New York Stock Exchange
6.625% Series G Cumulative Redeemable Preferred Shares of beneficial interest, no par value	New York Stock Exchange

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

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 ý 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/A or any amendment to this Form 10-K/A. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES ý NO o

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 as reflected in the table in Item 12 of this Form 10-K/A at June 30, 2004 was $5,790,469,000.

As of February 1, 2005, there were 127,819,849 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 18, 2005.

EXPLANATORY PARAGRAPH

This Form 10-K/A is being filed for the purpose of restating the Company s consolidated statements of cash flows for the years ended December 31, 2004, 2003 and 2002 to reclassify $16,740,000, $6,666,000 and $65,197,000, respectively, from net cash used in investing activities to net cash provided by operating activities as they relate to distributions of income received from investments in partially-owned entities accounted for on the equity method. The restatement does not affect the total net change in cash and cash equivalents for each of the three years in the period ended December 31, 2004, and has no impact on the Company s consolidated balance sheets, consolidated statements of income or the related income per share amounts. It also has no impact on the non-GAAP measure of funds from operations which is described on page 103. Conforming changes have been made to management s discussion and analysis of financial condition and results of operations included in this Form 10-K/A. See footnote 21 in the notes to the consolidated financial statements for further information relating to the restatement. In connection with the restatement, management has revised its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. This Form 10-K/A has not been updated for events or information subsequent to the date of filing of the original Form 10-K except in connection with the foregoing. Accordingly, this Form 10-K/A should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the original Form 10-K.

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(1) The Registrant will file a definitive Proxy Statement pursuant to Regulation 14A involving the election of trustees with the Securities and Exchange Commission not later than 120 days after December 31, 2004, portions of which are incorporated by reference herein. Information relating to Executive Officers of the Registrant appears on page 49 of this Annual Report on Form 10-K/A.

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 (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are not guarantees of performance. 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 plans, intends, estimates, anticipates, expects, believes or similar expressions in this annual report on Form 10-K/A. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. For further discussion of these factors see Item 1. Business Certain Factors That May Adversely Affect Our Business and Operations in this annual report on Form 10-K/A.

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/A 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/A.

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 a its consolidated subsidiaries, including the Operating Partnership. Vornado is the sole general partner of, and owned approximately 87% of the common limited partnership interest in, the Operating Partnership at December 31, 2004.

The Company currently owns directly or indirectly:

Office Properties (Office):

(i) all or portions of 86 office properties aggregating approximately 27.6 million square feet in the New York City metropolitan area (primarily Manhattan) and in the Washington D.C. and Northern Virginia area;

Retail Properties (Retail):

(ii) 94 retail properties in seven states and Puerto Rico aggregating approximately 14.2 million square feet, including 2.8 million square feet built by tenants on land leased from the Company;

Merchandise Mart Properties:

(iii) 8.6 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 88 cold storage warehouses nationwide;

Other Real Estate Investments:

(v) 33% of the outstanding common stock of Alexander s, Inc. (Alexander s) which has six properties in the greater New York metropolitan area;

(vi) 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 0.4 million square feet of retail and office space;

(vii) a 22.4% interest in The Newkirk Master Limited Partnership (Newkirk MLP) which owns office, retail and industrial properties net leased primarily to credit rated tenants, and various debt interests in such properties;

(viii) seven dry warehouse/industrial properties in New Jersey containing approximately 1.7 million square feet;

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

(x) interests in other real estate including a 12.25% interest in GMH Communities L.P. (which owns and manages student and military housing properties throughout the United States), 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, D.C., where we believe there is high likelihood of capital appreciation;

Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;

Investing in retail properties in select under-stored locations such as the New York City metropolitan area;

Investing in fully-integrated operating companies that have a significant real estate component with qualified, experienced operating management and strong growth potential which can benefit from our access to efficient capital;

Developing/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.

2004 ACQUISITIONS AND INVESTMENTS

During the year ended December 31, 2004, the Company has completed $328,600,000 of acquisitions and investments in real estate, of which $246,600,000 related to the retail segment. In addition, the Company made $183,400,000 of mezzanine loans during 2004 which increased the outstanding balance of Notes and Mortgage Loans Receivable to $440,186,000 at December 31, 2004. Details of these transactions are described in Management s Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K/A.

Investment in GMH Communities L.P.

On July 20, 2004, the Company committed to make up to a $159,000,000 convertible preferred investment in GMH Communities L.P. (GMH), a partnership focused on the student and military housing sectors. Distributions accrued on the full committed balance of the investment, whether or not drawn, from July 20, 2004, at a rate of 16.27%. In connection with this commitment, the Company received a placement fee of $3,200,000. The Company also purchased for $1,000,000, warrants to acquire GMH common equity. These warrants entitle the Company to acquire (i) 6,666,667 limited partnership units in GMH at an exercise price of $7.50 per unit and (ii) 5,496,724 limited partnership units, through May 6, 2006, at an exercise price of $9.10 per unit. As of November 3, 2004, the Company had funded a total of $113,777,000 of the commitment.

On November 3, 2004, GMH Communities Trust (GCT) closed its initial public offering (IPO) at a price of $12.00 per share. GCT is a real estate investment trust that conducts its business through GMH, of which it is the sole general partner. In connection with the IPO, the $113,777,000 previously funded by the Company under the $159,000,000 commitment was repaid, together with accrued distributions of $13,381,000. The Company also exercised warrants to purchase 6,666,667 limited partnership units at a price of $7.50 per unit, or $50,000,000 in total, which resulted in a gain of $29,500,000. The Company accounts for its interest in the partnership units on the equity-method based on its 12.25% ownership interest and right to appoint one of its executive officers to GCT s Board of Trustees. The Company records its pro-rata share of GMH s net income or loss on a one-quarter lag basis as the Company files its financial statements on Form 10-K or 10-Q prior to the time GMH files its financial statements.

Under the warrant agreement, the number of GMH partnership units or GCT common shares underlying the warrants is adjusted for dividends declared by GCT. On December 16, 2004, GCT declared a dividend of $.16 per common share, which increased the number of shares underlying the warrants from 5,496,724 to 5,563,417 and the exercise price was decreased from $9.10 to $8.99 per share. Because these warrants are derivatives and do not qualify for hedge accounting treatment, the gains and losses resulting from the mark-to-market of the warrants at the end of each reporting period are recognized as an increase or decrease in interest and other investment income on the Company s consolidated statement of income. In the quarter ended December 31, 2004, the Company recognized income of $24,190,000 from the mark-to-market of these warrants, which were valued using a trinomial option pricing model based on GCT s closing stock price on the NYSE of $14.10 per share on December 31, 2004.

Further, in connection with the IPO, the Company contributed its 90% interest in Campus Club Gainesville, which it acquired in 2000, in exchange for an additional 671,190 GMH limited partnership units.

Of the Company s GMH units, 6,666,667 may be converted into an equivalent number of common shares of GCT commencing on May 2, 2005 and 671,190 units may be converted commencing on November 2, 2005. The Company has agreed not to sell any common shares or units it owns or may acquire until May 2, 2005.

Investment in Sears, Roebuck and Co.

In July and August 2004, the Company acquired an aggregate of 1,176,600 common shares of Sears, Roebuck and Co. (Sears) for $41,945,000, an average price of $35.65 per share. Included in the cost is $1,361,000 for a performance-based participation. These shares are recorded as marketable securities on the Company s consolidated balance sheet 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 the Company s consolidated balance sheet and not recognized in income. At December 31, 2004, based on Sears closing stock price of $51.03 per share, $18,105,000 of appreciation in the value of these shares was included in accumulated other comprehensive income.

In August and September 2004, the Company acquired an economic interest in an additional 7,916,900 Sears common shares through a series of privately negotiated transactions with a financial institution pursuant to which the Company purchased a call option and simultaneously sold a put option at the same strike price on Sears common shares. These call and put options have an initial weighted-average strike price of $39.82 per share, or an aggregate of $315,250,000, expire in April 2006 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 and is credited for the dividends received on the shares. The options provide the Company with the same economic gain or loss as if it had purchased the underlying common shares and borrowed the aggregate strike 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 the Company s consolidated statement of income. During the year ended December 31, 2004, the Company recorded net income of $81,730,000, comprised of (i) $88,782,000 from the mark-to-market of the options on December 31, 2004, based on Sears closing stock price of $51.03 per share and (ii) $2,295,000 for accrued dividends, partially offset by (i) $5,972,000 for a performance-based participation, (ii) $2,371,000 for the increase in strike price resulting from the LIBOR charge and (iii) $1,004,000 of professional fees.

On November 16, 2004, Kmart Holding Corporation (Kmart) and Sears entered into an Agreement and Plan of Merger. Upon the effective date of the merger, each share of Sears common stock will be converted into the right to receive, at the election of the holder, (i) $50.00 in cash or (ii) 0.50 shares of common stock of the merged company, subject to proration so that 55% of the Sears shares are exchanged for shares of the merged company.

Based on Sears most recent filing with the Securities and Exchange Commission, the Company s aggregate investment in Sears represents 4.2% of Sears outstanding common shares.

2004 DISPOSITIONS

On June 29, 2004, the Company sold the Palisades Residential Complex for $222,500,000, which resulted in a net gain on sale after closing costs of $65,905,000. Substantially all of the proceeds from the sale were reinvested in tax-free like kind exchange investments pursuant to Section 1031 of the Internal Revenue Code (Section 1031).

On August 12, 2004, the Company sold its Dundalk, Maryland shopping center for $12,900,000, which resulted in a net gain on sale after closing costs of $9,850,000. Substantially all of the proceeds from the sale have been reinvested in tax-free like-kind exchange investments pursuant to Section 1031 .

On November 4, 2004, Americold Realty Trust (Americold), owned 60% by the Company, purchased its tenant, AmeriCold Logistics, for $47,700,000 in cash. On November 18, 2004 the Company and its 40% partner, Crescent Real Estate Equities Company (CEI) collectively sold 20.7% of Americold s common shares to The Yucaipa Companies (Yucaipa) for $145,000,000, which resulted in a gain, of which the Company s share was $18,789,000. In connection with the governance provisions of the transaction, the Company has the right to appoint three of the five members to Americold s Board of Trustees. Consequently, the Company is deemed to exercise control over Americold and on November 18, 2004 began to consolidate Americold s operations and financial position and no longer accounts for its investment on the equity method.

Further details regarding the Company s dispositions are disclosed in Management s Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to the Consolidated Financial Statements in this annual report on Form 10-K/A.

DEVELOPMENT AND REDEVELOPMENT PROJECTS

The Company is currently engaged in various development/redevelopment projects for which it has budgeted approximately $470.0 million. Of this amount $30.9 million was expended in 2004 (excluding $104.5 million for projects completed in 2004) and $310.0 million is estimated to be expended in 2005. Below is a description of these projects.

($ in millions)	Estimated Completion Date	The Company s Share of Estimated Project Cost		The Company s Share of Costs Expended in Year Ended December 31, 2004	The Company s Share of Estimated Costs to Complete
In Progress:					
New York Office:					
Redevelopment of 7 West 34th Street office space to permanent showroom space for Gift industry manufacturers and wholesalers	2005-2006	$ 33.0		$ .5	$ 32.5
CESCR:					
Crystal City Office space to be vacated by the U.S. Government Patent and Trade Office (PTO):					
(i)Renovation of buildings (see next page)	2005-2007	75.0	(1)	11.0	64.0
(ii)Cost to retenant	2005-2007	75.0	(1)		75.0
Retail:					
Green Acres Mall interior and exterior renovation, construction of an additional 63,600 square feet of free-standing retail space, parking decks and site-work and tenant improvements for B.J. s Wholesale who will construct its own store(2)	2006	71.0		1.0	69.0
Bergen Mall expand, re-tenant and redevelop the mall(2)	2008	102.0		1.6	100.0
Strip shopping centers redevelopment of five properties and one industrial warehouse(2)	2005-2006	54.0		7.2	44.0
715 Lexington Avenue - demolition of existing building and construction of 24,000 square feet of retail space on four floors	Fall 2005	19.0		4.9	12.0
968 Third Avenue (50% interest) demolition of existing building and construction of 5,700 square feet of retail space on three floors	Spring 2005	6.0		1.8	1.0
Other:					
Penn Plaza Signage District construction of approximately 21 signs at various locations in the Penn Plaza District, of which 10 have been completed as of December 31, 2004	Ongoing	35.0		2.9	20.0
		$ 470.0		$ 30.9	$ 417.5

(1) Revised from the prior estimate of $90.0 million to renovate the buildings and $60.0 million to re-tenant the space.

(2) Subject to governmental approvals.

The Company is also in the pre-development phase of other projects including, retail space in the Penn Plaza area, repositioning of the Hotel Pennsylvania, expansion of the Monmouth Mall and renovation of the 2101 L Street office building.

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

The Company has substantially completed the following projects during 2004:

($ in millions)	The Company s Share of Project Cost	Costs Expended in Year Ended December 31, 2004	Estimated Costs to Complete
Completed in 2004:			
New York City:			
640 Fifth Avenue construction of additional 47,000 square feet of office space and redevelopment of existing building	$ 64.0	$ 13.9	$ 6.0
CESCR:			
Crystal Drive Retail construction of additional 57,000 square feet of retail space and improvements to the infrastructure including streets, signals and signs as part of way finding program	43.0	25.5	3.0
Retail:			
4 Union Square South redevelopment of 198,000 square feet, of which 193,000 square feet has been leased to Whole Foods, Forever 21, DSW Shoe Warehouse and Filenes	54.0	29.6	6.0
Strip shopping centers site work and/or demolition of existing buildings as part of the redevelopment of six properties released to Wal-Mart and Lowes. (each of these locations were previously leased to Bradlees.)	18.0	16.9	
Merchandise Mart:			
350 West Mart Center, Chicago addition of 40,000 square feet at street level and new lobby and drive	18.0	14.6	2.0
Other:			
400 North LaSalle (85% interest) construction of 381,000 square foot, high-rise rental apartment complex containing 452 apartments	78.0	4.0	1.0
	$ 275.0	$ 104.5	$ 18.0

PTO Space Redevelopment:

The Company plans to redevelop certain office buildings in which the PTO has vacated or will vacate space as their leases expire over the next two years as follows:

		Square Feet Vacated	Square Feet Expiring (in thousands)				
		2004	2005				2006
	Total	Q4	Q1	Q2	Q3	Q4	Q1
Taken out of Service:							
Crystal Plaza Three	263	263					
Crystal Plaza Four	234	234					
Remaining in Service:							
Crystal Plaza Two	181		181				
Crystal Park One	224	13	109	64		38	

Crystal Park Two	406	39	103	77		98	89
Crystal Park Three	107	67		24			16
Crystal Park Five	194			194			
Crystal Mall One	180	180					
Other Buildings	150	141				9	
	1,939	937	393	359		145	105

Renovations to Crystal Plaza Three and Four will include new mechanical systems, new restrooms, lobbies and corridors. These buildings have been taken out of service for redevelopment which is expected to be completed over a 12 to 18 month period. Renovations to the remaining buildings will consist of common area and exterior renovations to upgrade the buildings that will not be taken out of service.

See page 60 for details of the projected lease up of the PTO space.

FINANCING ACTIVITIES

During 2004, the Company issued (i) $425,000,000 of Cumulative Redeemable Preferred Shares at a weighted average rate of 6.74%, (ii) $55,000,000 Cumulative Redeemable Preferred Units of the Operating Partnership at a weighted average rate of 6.96%, (iii) $46,700,000 of 3.0% Series D-13 preferred units and (iv) redeemed $85,000,000 and $27,500,000 of outstanding Cumulative Redeemable Preferred Shares and Units with a weighted average rate of 8.50% and 8.38%, respectively. In addition, the Company completed property level financings of $520,000,000 and issued $250,000,000 of senior unsecured notes. Details of these transactions as well as other financing activities are described in Management s Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K/A.

The Company may seek to obtain funds through equity offerings, debt financings or asset sales, although there is no express policy with respect thereto. The Company may offer its shares or Operating Partnership units in exchange for property and may repurchase or otherwise re-acquire its shares or any other securities in the future.

COMPETITION

The Company s business segments Office, Retail, Merchandise Mart Properties, Temperature Controlled Logistics, and Other operate in highly competitive environments. The Company has a large concentration of properties in the New York City metropolitan area and in the Washington, D.C. and Northern Virginia area. The Company competes with a large number of real estate property owners and developers. Principal factors of competition are rent charged, attractiveness of location, the quality of the property and breadth and quality of services provided. The Company s success depends upon, among other factors, trends of the national and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends.

ENVIRONMENTAL REGULATIONS

The Company s 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 certain of these environmental laws a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair the Company s 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. The Company could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or tanks or related claims arising out of environmental contamination or exposure at or from the Company s properties.

Each of the Company s properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not reveal any environmental condition material to the Company s 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 the Company.

TENANTS WHICH ACCOUNTED FOR OVER 10% OF REVENUES

In 2004, the Company had 106 separate leases with various agencies of the U.S. Government, the rent from which accounted for 12.5% of the Company s consolidated total revenues. The loss of this tenant would have a material adverse effect on the Company s finances as a whole.

CERTAIN ACTIVITIES

Acquisitions and investments are not required to be based on specific allocation by type of property. The Company has historically held its 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, the Company has not adopted a policy that limits the amount or percentage of assets which would be invested in a specific property. While the Company may seek the vote of its shareholders in connection with any particular material transaction, generally the Company s activities are reviewed and may be modified from time to time by its Board of Trustees without the vote of shareholders.

EMPLOYEES

As of December 31, 2004, the Company and its majority-owned subsidiaries had approximately 2,592 employees, of which 186 were corporate staff. The Office segment had 269 employees and 1,123 employees of Building Maintenance Services, a wholly-owned subsidiary. The Retail segment, the Merchandise Mart segment and the Hotel Pennsylvania had 61, 479 and 474 employees, respectively. This does not include employees of partially-owned entities, including Americold Realty Trust which had 6,058 employees as of December 31, 2004.

SEGMENT DATA

The Company operates in four business segments: Office Properties, Retail Properties, Merchandise Mart Properties and Temperature Controlled Logistics. The Merchandise Mart segment has trade show operations in Canada. The Temperature Controlled Logistics segment operates one managed warehouse in Canada. Information related to the Company s business segments for the years 2004, 2003 and 2002 is set forth in Note 19. Segment Information to the Company s consolidated financial statements in this annual report on Form 10-K/A.

The Company s 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 the Company s 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 the Company, 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 it is electronically filed with, or furnished to, the Securities and Exchange Commission. We also have 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.

CERTAIN 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 the 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 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; 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 our tenants, who may not be able to pay.

Our financial results depend on leasing space in our properties to tenants on economically favorable terms. In addition, because substantially all of our income comes from 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. 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 to enforce those rights. For information regarding the bankruptcy of our tenants, see Bankruptcy or insolvency of tenants may decrease our revenues and available cash below.

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

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

Real estate is a competitive business.

For a discussion of risks related to competition in the real estate business, see Item 1. Business Competition.

We may incur costs to comply with environmental laws.

For a discussion of risks related to the Company s compliance with environmental laws, see Item 1. Business Environmental Regulations.

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

The Company carries comprehensive liability and all risk property insurance ((i) fire, (ii) flood, (iii) extended coverage, (iv) acts of terrorism as defined in the Terrorism Risk Insurance Act of 2002 which expires in 2005 and (v) rental loss insurance) with respect to its assets. In April 2004, the Company reviewed its all risk policies and increased its coverage for Acts of Terrorism for each of its New York Office, CESCR Office, Retail and Merchandise Mart divisions. Below is a summary of the all risk property insurance and terrorism risk insurance for each of the Company s business segments:

	Coverage Per Occurrence	
	All Risk(1)	**Sub-Limits for Acts of Terrorism**
New York Office	$ 1,400,000,000	$ 750,000,000
CESCR Office	1,400,000,000	750,000,000
Retail	500,000,000	500,000,000
Merchandise Mart	1,400,000,000	750,000,000
Temperature Controlled Logistics	225,000,000	225,000,000

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

In addition to the coverage above, the Company carries lesser amounts of coverage for terrorist acts not covered by the Terrorism Risk Insurance Act of 2002. To the extent the Company incurs losses in excess of its insurance coverage, these losses would be born by the Company and could be significant.

The Company s debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), its senior unsecured notes due 2007, 2009 and 2010 and its revolving credit agreement, contain customary covenants requiring the Company to maintain insurance. Although the Company believes that it has adequate insurance coverage under these agreements, the Company 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 the Company is able to obtain, or if the Terrorism Risk Insurance Act of 2002 is not extended, it could adversely affect the Company s ability to finance and/or refinance its properties and expand its portfolio.

Our Investments Are Concentrated in the New York City/New Jersey and Washington, D.C. Metropolitan Areas. Circumstances Affecting These Areas Generally Could Adversely Affect Our Business.

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

During 2004, 64.2% of our EBITDA, excluding items that affect comparability, came from properties located in New Jersey and the New York City and Washington, D.C. metropolitan areas. In addition, we may continue to concentrate a significant portion of our future acquisitions in New Jersey and the New York City and Washington, D.C. metropolitan areas. Like other real estate markets, the real estate markets in these areas have experienced economic downturns in the past, and we cannot predict how the current economic conditions will impact these markets in both the short and long term. Further declines in the economy or a decline in the real estate markets in these areas could hurt our financial performance and the value of our properties. The factors affecting economic conditions in these regions include: space needs of the United States Government, business layoffs or downsizing; industry slowdowns; relocations of businesses; changing demographics; increased telecommuting and use of alternative work places; financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries; infrastructure quality; and any oversupply of or reduced demand for real estate.

It is impossible for us to assess the future effects of the current uncertain trends in the economic and investment climates of the New York City/New Jersey and Washington, D.C. regions, and more generally of the United States, or the real estate markets in these areas. If these conditions persist or if any local, national or global economic recovery is of a short term, businesses and future profitability may be adversely affected.

Terrorist Attacks such as those of September 11, 2001 in New York City and the Washington, D.C. Area May Adversely Affect the Value of Our Properties and Our Ability to Generate Cash Flow.

We have significant investments in large metropolitan areas, including the New York/New Jersey, Washington, D.C. and Chicago metropolitan areas. Tenants in these areas may choose to relocate their business to less populated, lower-profile areas of the United States that may be perceived to be less likely targets of future terrorist activity. This in turn would trigger a decrease in the demand for space in these areas, which could increase vacancies in our properties and force us to lease our properties on less favorable terms. In addition, threatened or actual future terrorist attacks in these areas could directly or indirectly impact our properties. As a result of the foregoing, the value of our properties and the level of our revenues could decline materially.

We May Acquire or Sell Additional Assets 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, 1996, to approximately $11.6 billion at December 31, 2004. 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 new properties and this may create risks.

We may acquire or develop properties or acquire other real estate companies when we believe that an acquisition or development is consistent with our business strategies. We may not, however, succeed in consummating desired acquisitions or in completing developments on time or within budget. We also 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 consummating desired acquisitions and integrating acquisitions may prove costly or time-consuming and could divert management s attention.

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

For example, subject to limited exceptions, we are restricted from selling or otherwise transferring or disposing of certain properties located in the Crystal City area of Arlington, Virginia or an interest in our division that manages the majority of our office properties in the Washington, D.C. metropolitan area, which we refer to as the CESCR Division, until 2014 with respect to certain properties located in the Crystal City area of Arlington, Virginia or until 2008 with respect to an interest in the CESCR 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 CESCR Division at an opportune time and increase costs to us.

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). 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/A.

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

Substantially all of Vornado Realty Trust s assets are held through its Operating Partnership which holds substantially all of its properties and assets through its own subsidiaries. The Operating Partnership therefore depends for substantially all of its cash flow on cash distributions to it by its subsidiaries, and Vornado Realty Trust in turn depends for substantially all of its cash flow on cash distributions to it by the Operating Partnership. The creditors of each of the 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 units depends on its subsidiaries ability first to satisfy their obligations to their creditors and then to make distributions to the Operating Partnership.

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 ability to pay dividends to holders of its common 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, 2004, there were 13 series of preferred units of the Operating Partnership not held by Vornado Realty Trust that have preference over Vornado Realty Trust common shares. The total liquidation value of these 13 series of preferred units is approximately $960,900,000.

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 of the subsidiary, is only after the claims of the creditors, including trade creditors, and preferred security holders, if any, of the subsidiary are satisfied.

We have indebtedness, and this indebtedness may increase.

As of December 31, 2004, we had approximately $5.2 billion in total debt outstanding including the Company s proportionate share of debt of partially-owned entities. Our ratio of total debt to total enterprise value was 30.4%. When we say enterprise value in the preceding sentence, we mean market equity value of Vornado Realty Trust plus total debt outstanding, including the Company s pro-rata share of partially-owned entities debt, less cash. In the future, we may incur additional debt, and thus increase its ratio of total debt to total enterprise value, to finance acquisitions or property developments.

Vornado Realty Trust might fail to qualify or remain qualified as a REIT.

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 might fail to remain qualified in this way. Qualification as a REIT for federal income tax purposes is governed by highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial or administrative interpretations. 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 might significantly change the tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualification as a REIT.

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

Loss of the Company s 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 or our common shares.

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

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 or 9.9% of the outstanding preferred shares, with some exceptions for persons who held common shares in excess of the 6.7% limit before Vornado Realty Trust adopted the limit and other persons approved by Vornado Realty Trust s Board of Trustees. These restrictions on transferability and ownership may delay, deter or prevent a change in control of the Company or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. We refer to Vornado Realty Trust s Amended and Restated Declaration of Trust, as amended, as the declaration of trust.

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

The 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 the Company 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 the Company or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders.

Under the Maryland General Corporation Law, as amended, which we refer to as the MGCL, as applicable to real estate investment trusts, certain business combinations, including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland real estate investment trust and any person who beneficially owns ten percent 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 the Company, or their affiliates, and the Company. As a result, the trustees and officers of the Company and their affiliates may be able to enter into business combinations with the Company which may not be in the best interest of shareholders. With respect to business combinations with other persons, the business combination provisions of the MGCL may have the effect of delaying, deferring or preventing a change in control of the Company 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 the Company and increase the difficulty of consummating any offer.

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

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

As of December 31, 2004, Interstate Properties, a New Jersey general partnership, and its partners owned approximately 10.8% of the common shares of Vornado Realty Trust and approximately 27.4% of the common stock of Alexander s, Inc. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the partners of Interstate Properties. Mr. Roth is the Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, the managing general partner of Interstate Properties, the Chief Executive Officer and a director of Alexander s.

As of December 31, 2004, we owned 33% of the outstanding common stock of Alexander s. Alexander s is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander s has six properties, which are located in the New York City metropolitan area. Mr. Roth and 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 also directors of Alexander s.

Prior to the dissolution of Vornado Operating on December 29, 2004, Interstate was also a significant equity holder of Vornado Operating. When it existed, Vornado Operating s principal business was operating, as tenant, the cold storage warehouses owned by our partially-owned subsidiary, Americold Realty Trust. Messrs. Roth and Fascitelli were officers and directors of Vornado Operating. Mr. Wight was also a director of Vornado Operating.

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

The Company currently manages and leases the real estate assets of Interstate Properties under a management agreement for which the Company 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. The Company earned $726,000, $703,000, and $747,000 of management fees under the management agreement for the years ended December 31, 2004, 2003 and 2002. Because the Company and Interstate Properties are controlled by the same persons, as described above, the terms of the management agreement and any future agreements between the Company and Interstate Properties may not be comparable to those the Company could have negotiated with an unaffiliated third party.

There may be conflicts of interest between Alexander s and Us

At December 31, 2004, the Company had loans receivable from Alexander s of $124,000,000 at an interest rate of 9.0%, including $29,000,000 drawn under a $50,000,000 line of credit. The maturity date of the loans is the earlier of January 3, 2006 or the date that Alexander s Lexington Avenue construction loan is finally repaid. 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, except that the Lexington Avenue management and development agreements have a term lasting until substantial completion of development of the Lexington Avenue property, and are all automatically renewable. Because the Company 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.

Interstate Properties, which is further described above, owned an additional 27.4% of the outstanding common stock of Alexander s as of December 31, 2004. Mr. Roth, Chairman of the Board and Chief Executive Officer of Vornado Realty

Trust, is Chief Executive Officer and a director of Alexander s, and Mr. Fascitelli, President and a trustee of Vornado Realty Trust, is President and a director of Alexander s. Messrs. Mandelbaum, West and Wight, trustees of the Company, are also directors of Alexander s. Alexander s common stock is listed on the New York Stock Exchange under the symbol ALX.

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 the Company. They and some of the Company s other trustees and officers have interests or positions in other entities that may compete with the Company above.

The Number of Shares of the Company 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 February 1, 2005, we had authorized but unissued, 72,178,522 common shares of beneficial interest, $.04 par value, and 85,610,600 preferred shares of beneficial interest, no par value. We may issue these additional shares from time to time in public or private offerings or in connection with acquisitions.

In addition, as of February 1, 2005, 17,643,708 Vornado Realty Trust common shares were reserved for issuance upon redemption of Operating Partnership units. Some of these shares may be sold in the public market after registration under the Securities Act under registration rights agreements between the Company and some holders of 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 referenced above, 41,969,628 common and 40,929,336 preferred shares, in the aggregate, were reserved for issuance upon the redemption of Operating Partnership units, under benefit plans, the conversion of outstanding securities or other action not directly in our control.

We cannot predict the effect that future sales of our common shares, preferred shares or Operating Partnership Units, or the perception that sales of common shares, preferred or Operating Partnership Units could occur, will have on the market prices for Vornado Realty Trust s shares.

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

The value of the Vornado Realty Trust s shares depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of the Vornado Realty Trust s shares are the following: the extent of institutional investor interest in the Company; 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 generally, and Vornado in particular.

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

We believe that investors consider the distribution rate on REIT shares, expressed as a percentage of the market 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 shares to decline.

ITEM 2. PROPERTIES

The Company currently owns, directly or indirectly, Office properties, Retail properties, Merchandise Mart properties and Temperature Controlled Logistics refrigerated warehouses. The Company also owns or has investments in Alexander s, Hotel Pennsylvania, The Newkirk Master Limited Partnership, GMH Communities L.P., dry warehouses and industrial buildings.

Office Segment

The Company currently owns all or a portion of 86 office properties containing approximately 27.6 million square feet. Of these properties, 20 containing 13.4 million square feet are located in the New York City metropolitan area (primarily Manhattan) (the New York City Office Properties) and 66 containing 14.2 million square feet are located in the Washington, D.C. and Northern Virginia area (the CESCR Office Properties).

New York City Office Properties:

The New York City Office Properties contain 12,607,000 square feet of office space and 805,000 square feet of retail space. In addition, the New York City Office properties contain five garages totaling 332,000 square feet (1,600 spaces) which are managed by or leased to third parties. The garage space is excluded from the statistics provided in this section.

The following table sets forth the percentage of the New York City Office Properties 2004 revenue by tenants industry:

Industry		**Percentage**	
Retail		13	%
Publishing		10	%
Government		8	%
Legal		7	%
Technology		6	%
Advertising		6	%
Pharmaceuticals		5	%
Finance		5	%
Service Contractors		5	%
Communication		4	%
Not-for-Profit		4	%
Insurance		4	%
Bank Branches		3	%
Real Estate		3	%
Health Services		3	%

Engineering		3	%
Other		11	%
		100	%

The Company s New York City 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.

Below is a listing of tenants that accounted for 2% or more of the New York City Office Properties revenues in 2004:

Tenant	Square Feet Leased	2004 Revenues	Percentage of New York City Office Revenues	Percentage of Company Revenues
The McGraw-Hill Companies, Inc.	520,000	$ 20,612,000	3.3%	1.2%
VNU Inc.	515,000	19,544,000	3.2%	1.1%
Sterling Winthrop, Inc.	429,000	18,879,000	3.0%	1.1%
Cablevision/Madison Square Garden L.P./ Rainbow Media Holdings, Inc.	285,000	14,905,000	2.4%	0.9%
Federated Department Stores	357,000	14,622,000	2.4%	0.9%
U.S. Government	639,000	14,411,000	2.3%	0.8%
New York Stock Exchange, Inc.	348,000	14,268,000	2.3%	0.8%

The following table sets forth the occupancy rate and the average annual escalated rent per square foot for the New York City Office properties, excluding garage space, at the end of each of the past five years.

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot (excluding retail space)
2004	13,412,000	95.6%	$ 41.90
2003	13,253,000	95.8%	37.36
2002	13,957,000	97.3%	35.53
2001	13,953,000	96.2%	32.18
2000	14,049,000	94.9%	30.16

During 2004, the Company leased 1,623,000 square feet of New York City Office space as follows:

Location	2004 Leasing Activity	
	Square Feet	Average Initial Rent Per Square Foot(1)
One Penn Plaza	411,000	$ 39.79
909 Third Avenue	286,000	41.61
888 Seventh Avenue	170,000	54.43
330 Madison Avenue (25% interest)	146,000	39.57
Eleven Penn Plaza	114,000	33.84
Two Penn Plaza	110,000	37.65
640 Fifth Avenue	86,000	68.23
866 U.N. Plaza	84,000	42.22
150 East 58th Street	65,000	46.48
595 Madison	54,000	49.07
90 Park Avenue	24,000	44.02

825 Seventh Avenue (50% interest)		23,000		25.00	
689 Fifth Avenue		18,000		49.56	
40 Fulton Street		17,000		24.83	
1740 Broadway		11,000		30.00	
Paramus		4,000		19.06	
Total		1,623,000		42.96	
Vornado s Ownership Interest		1,502,000		43.34	

(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, the Company leased 51,000 square feet of retail space at a weighted average initial rent of $118.39 per square foot.

The following tables set forth lease expirations for the office and retail portions of the New York City Office Properties as of December 31, 2004, for each of the next 10 years assuming that none of the tenants exercise their renewal options.

Office Space:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of New York City Office Square Feet	Annual Escalated Rent of Expiring Leases: Total	Annual Escalated Rent of Expiring Leases: Per Square Foot
2005	170	698,000	5.5%	$ 29,312,000	$ 41.99
2006	80	709,000	5.6%	27,592,000	38.92
2007	81	632,000	5.0%	26,494,000	41.92
2008	69	1,171,000 (1)	9.3%	50,180,000	42.85
2009	84	653,000	5.2%	27,271,000	41.76
2010	55	1,043,000	8.3%	43,672,000	41.87
2011	35	863,000	6.8%	43,036,000	49.87
2012	24	860,000	6.8%	30,529,000	35.50
2013	20	584,000	4.6%	22,909,000	39.23
2014	26	351,000	2.8%	16,400,000	46.72

(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 $8.96 per square foot.

Retail Space (contained in office buildings):

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Retail Square Feet	Annual Escalated Rent of Expiring Leases: Total	Annual Escalated Rent of Expiring Leases: Per Square Foot
2005	11	24,000	3.0%	$ 1,473,000	$ 61.38
2006	10	63,000	7.8%	3,028,000	48.06
2007	3	4,000	0.5%	770,000	192.50
2008	5	27,000	3.4%	1,511,000	55.96
2009	6	26,000	3.2%	4,509,000	173.42
2010	4	6,000	0.7%	535,000	89.17
2011	3	9,000	1.1%	667,000	74.11
2012	4	69,000	8.6%	2,406,000	34.87
2013	10	36,000	4.5%	3,629,000	100.56
2014	13	106,000	13.2%	16,719,000	157.73

The following table sets forth the New York City Office Properties owned by the Company as of December 31, 2004:

Location	Approximate Leasable Building Square Feet	Percent Leased		Encumbrances (in thousands)	
NEW YORK (Manhattan)					
One Penn Plaza(1)	2,379,000	94.0	%	$	
Two Penn Plaza	1,543,000	91.7	%		300,000
909 Third Avenue(1)	1,359,000	98.5	%		125,000
770 Broadway	1,046,000	99.6	%		170,000
Eleven Penn Plaza	1,029,000	96.8	%		219,777
90 Park Avenue	890,000	98.5	%		
888 Seventh Avenue(1)	833,000	99.0	%		105,000
330 West 34th Street(1)	637,000	99.9	%		
1740 Broadway	567,000	96.1	%		
150 East 58th Street(2)	522,000	90.5	%		
866 United Nations Plaza	349,000	91.1	%		48,130
595 Madison (Fuller Building)	307,000	95.1	%		
640 Fifth Avenue	324,000	99.5	%		
40 Fulton Street	240,000	89.4	%		
689 Fifth Avenue	90,000	98.8	%		
7 West 34th Street	424,000	100.0	%		
330 Madison Avenue (25% interest)	784,000	94.1	%		60,000
20 Broad Street(1)	466,000	85.3	%		
825 Seventh Avenue (50% interest)	165,000	100.0	%		23,104
NEW JERSEY					
Paramus	128,000	91.2	%		
Total Office Buildings	**14,082,000**	**95.6**	**%**	**$**	**1,051,011**
Vornado s Ownership Interest	**13,412,000**	**95.6**	**%**	**$**	**994,459**

(1) Ground leased.

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

Charles E. Smith Commercial Realty (CESCR) Office Properties:

CESCR owns 66 office buildings and a hotel in the Washington D.C. and Northern Virginia area containing 14.2 million square feet, including two buildings taken out of service for redevelopment. CESCR manages an additional 7.1 million square feet of office and other commercial properties. In addition, CESCR s buildings contain 19 garages totaling approximately 7.4 million square feet (25,000 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, 2004, 35 percent of CESCR s property portfolio is leased to various agencies of the U.S. government.

On July 1, 2004, the Company acquired the Marriott hotel located in its Crystal City office complex from a limited partnership in which Robert H. Smith and Robert P. Kogod, trustees of the Company, together with family members own approximately 67 percent. The purchase price of $21,500,000 was paid in cash. The hotel contains 343 rooms and is leased to an affiliate of Marriott International, Inc. until July 31, 2015, with one 10-year extension option. The land under the hotel was acquired in 1999.

The following table sets forth the percentage of CESCR s Office properties 2004 revenue by tenants industry:

Industry		Percentage	
U.S. Government		42	%
Government Contractors		29	%
Legal Services		4	%
Communication		3	%
Transportation by Air		3	%
Real Estate		3	%
Trade Associations		2	%
Business Services		2	%
Eating and Drinking Places		1	%
Health Services		1	%
Other		10	%
		100	%

CESCR office 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.

Below is a listing of tenants which accounted for 2% or more of the CESCR Office properties revenues during 2004:

Tenant		Square Feet Leased		2004 Revenues		Percentage of CESCR Revenues		Percentage of Company Revenues	

U.S. Government (93 separate leases)	5,043,000	$ 186,315,000	41.9%	10.9%
Science Applications International Corp	499,000	12,631,000	2.8%	0.7%
TKC Communications	305,000	10,221,000	2.3%	0.6%
The Boeing Company	283,000	9,035,000	2.0%	0.5%

The following table sets forth the New York City Office Properties owned by the Company as of December 31, 2004

The following table sets forth the occupancy rate and the average annual escalated rent per square foot for the CESCR properties at the end of each of the past five years:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2004	14,216,000	91.5%	$ 30.06
2003	13,963,000	93.9%	29.64
2002	13,395,000	93.6%	29.38
2001	12,899,000	94.8%	28.59
2000	12,495,000	97.9%	27.38

During 2004, the Company leased 2,824,000 square feet of CESCR office space as follows:

Location	Square Feet	Average Initial Rent Per Square Foot(1)
Skylines	762,000	$ 26.13
Crystal Gateway	529,000	32.53
Crystal Plaza	499,000	29.40
Crystal Park	201,000	32.62
Crystal Square	158,000	32.83
Tysons Dulles	142,000	24.25
Reston Executive	90,000	24.19
Courthouse Plaza	88,000	26.61
Commerce Executive	83,000	19.97
1919 South Eads Street	57,000	33.22
1730 M Street	45,000	31.14
Arlington Plaza	36,000	29.35
Crystal Mall	32,000	29.00
Fairfax Square (20% interest)	30,000	26.75
1101 17th Street	20,000	33.63
1150 17th Street	19,000	34.00
1140 Connecticut Avenue	12,000	33.39
Democracy Plaza	11,000	33.54
1750 Pennsylvania	10,000	38.00
	2,824,000	28.93

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

The following table sets forth lease expirations for the CESCR Office Properties as of December 31, 2004 for each of the next 10 years, assuming that none of the tenants exercise their renewal options.

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of CESCR Square Feet	Annual Escalated Rent of Expiring Leases	
				Total	Per Square Foot
2005	375	2,909,000	20.5%	$ 87,280,000	$ 30.00
2006	195	2,362,000	16.6%	75,044,000	31.77
2007	157	1,075,000	7.6%	33,134,000	30.83
2008	135	1,246,000	8.8%	38,598,000	30.99
2009	126	1,305,000	9.2%	37,874,000	29.02
2010	49	447,000	3.1%	14,152,000	31.66
2011	62	952,000	6.7%	28,391,000	29.81
2012	28	620,000	4.4%	20,743,000	33.46
2013	24	361,000	2.5%	12,172,000	33.70
2014	24	441,000	3.1%	11,236,000	25.47

The above table includes 1,002,000 square feet leased to the U.S. Patent and Trademark Office (PTO) in the Crystal City submarket. Of this square feet, 393,000 expires in Q1 2005, 359,000 expires in Q2 2005, 145,000 expires in Q4 2005 and 105,000 expires in Q1 2006. In addition, the PTO vacated 937,000 square feet in the fourth quarter of 2004, of which 497,000 has been taken out of service, and will vacate another 1,002,000 square feet during 2005 and the first quarter of 2006. As of February 1, 2005, the Company has leased 416,000 square feet of the PTO space vacated. Of this space, 262,000 square feet was leased to the Federal Supply Service which will be relocated from 240,000 square feet in other Crystal City buildings, 122,000 square feet was leased to the Public Broadcasting Service and 32,000 square feet was leased to Lockheed Martin.

Below is a comparison of the Company s actual leasing activity to the Company s projection for the lease-up of this space:

Period in which rent commences:	Square Feet Leased (in thousands) Projection	Actual Through February 1, 2005
Q4 2004		32
Q3 2005		122
Q4 2005	247	
Q1 2006	793	262
Q2 2006	404	
Q3 2006	252	
Q4 2006	98	
Q1 2007	145	
	1,939	416

Straight-line rent per square foot for the actual square feet leased is $32.34 as compared to $31.94 projected. Actual tenant improvements and leasing commissions per square foot is $45.25 as compared to $45.28 projected.

The Company s original redevelopment plans for the PTO space included taking Crystal Park One and Crystal Plaza Three and Four out of service. Plans for Crystal Plaza Three and Four have not changed. Current plans for Crystal Park One are to lease its 224,000 square feet to private sector tenants which will not require taking the building out of service, as opposed to leasing it to another government agency which would have required taking it out of service. As a result, the Company will recognize approximately $4,000,000 of expense in 2005, which under the original plan would have been capitalized as part of development costs.

The following table sets forth the CESCR Office Properties owned by the Company as of December 31, 2004:

Location/Complex	Number of Buildings		Approximate Leasable Building Square Feet	Percent Leased	Encumbrances (in thousands)
Crystal Mall	4		1,067,000	85.9%	$ 48,618
Crystal Plaza	7	(1)	1,231,000	85.4%	
Crystal Square	4		1,420,000	95.0%	185,296
Crystal City Hotel	1		266,000	100%	
Crystal City Shops	1		47,000	100%	
Crystal Gateway	5		1,465,000	93.9%	203,928
Crystal Park	5		2,180,000	89.0%	253,238
1919 S. Eads Street	1		97,000	98.5%	11,952
Total Crystal City	28		7,773,000	91.0%	703,032
Skyline	8		2,542,000	93.7%	194,897
Courthouse Plaza(2)	2		624,000	95.7%	77,153
1101 17th Street	1		207,000	96.7%	25,537
1730 M Street	1		190,000	82.7%	15,944
1140 Connecticut Avenue	1		179,000	90.8%	18,888
1150 17th Street	1		227,000	76.6%	30,838
1750 Pennsylvania Avenue	1		259,000	97.9%	48,876
2101 L Street	1		354,000	99.5%	
Democracy Plaza I(2)	1		210,000	91.2%	26,095
Tysons Dulles	3		484,000	93.8%	
Commerce Executive	3		382,000	74.9%	51,796
Reston Executive	3		487,000	91.1%	71,197
South Capitol	3		58,000	96.9%	
Fairfax Square (20% interest)	3		524,000	90.7%	67,215
Kaempfer equity interests (.1% to 10% interests)	6		3,437,000	99.4%	491,869
Total Office Buildings	**66**		**17,937,000**	**92.1%**	**$ 1,823,337**
Vornado s Ownership Interest	**66**		**14,216,000**	**91.5%**	**$ 1,296,549**
Assets Held for Sale:					
Arlington Plaza	1		179,000	93.3%	$ 14,691

(1) Includes Crystal Plaza Three and Four containing an aggregate of 497,000 square feet which have been taken out of service for redevelopment and not included in Percent Leased.

(2) Ground leased.

Retail Segment

The Company owns 94 retail properties, of which 51 are strip shopping centers located in the Northeast and Mid-Atlantic; 25 are supermarkets in Southern California; five are regional malls located in New York, New Jersey and San Juan, Puerto Rico; and 13 are retail properties located in New York City. The Company s strip shopping centers and malls are generally located on major regional highways in mature, densely populated areas. The Company believes these properties attract consumers from a regional, rather than a neighborhood market place because of their location on regional highways.

The Company s strip shopping centers contain an aggregate of 9.2 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.

The Company s five regional malls are as follows :

The Green Acres Mall in Long Island, New York contains 1.6 million square feet, and is anchored by four major department stores: Sears, J.C. Penney and Company, Inc., Federated Department Stores, Inc. (Federated) doing business as Macy's and Macy s Men s Furniture Gallery (formerly Sterns). The complex also includes The Plaza at Green Acres, a 175,000 square foot strip shopping center which is anchored by Wal-Mart and National Wholesale Liquidators. The Company plans to renovate the interior and exterior of the mall. In addition, the Company has entered into a ground lease with B.J. s Wholesale Club who will construct its own free-standing store in the mall complex. Further, the Company will construct 63,600 square feet of free-standing retail space and parking decks in the complex, subject to governmental approvals. The expansion and renovation are expected to be completed in 2006.

The Monmouth Mall in Eatontown, New Jersey, owned 50% by the Company, contains 1.4 million square feet and is anchored by four department stores; Macy s, Lord & Taylor, J.C. Penney and Boscovs, three of which own their stores aggregating 719,000 square feet.

The Bergen Mall in Paramus, New Jersey, contains 903,000 square feet. The Company has entered into agreements to terminate its lease with Macy s effective April 2005 and its lease with Value City effective January 2006. Under these agreements, in January 2005, the Company received $2,000,000 from Macy s and paid $12,000,000 to Value City, both of which were reflected in the acquisition price of the mall. The Company plans to expand, re-tenant and redevelop the mall subject to governmental approvals and anticipates taking the mall out of service in phases beginning in the second quarter of 2005.

The Montehiedra Mall in San Juan, Puerto Rico, contains 554,000 square feet and is anchored by Home Depot, Kmart, and Marshalls.

The Las Catalinas Mall in San Juan, Puerto Rico, contains 354,000 square feet and is anchored by Kmart and Sears, which owns its store.

2004 Retail Property Acquisitions

On February 3, 2004, the Company acquired the Forest Plaza Shopping Center for approximately $32,500,000, of which $14,000,000 was paid in cash and $18,500,000 was debt assumed. Forest Plaza is a 165,000 square foot shopping center located in Staten Island, New York.

On March 19, 2004, the Company acquired a 62,000 square foot free-standing retail building located at 25 W. 14th Street in Manhattan for $40,000,000 in cash.

On July 29, 2004, the Company acquired a real estate portfolio containing 25 supermarkets for $65,000,000 in cash. These properties, all of which are all located in Southern California and contain an aggregate of approximately 766,000 square feet, were purchased from the Newkirk MLP, in which the Company currently owns a 22.4% interest. The supermarkets are net leased to Stater Brothers for an initial term expiring in 2008, with six 5-year extension options. Stater Brothers is a Southern California regional grocery chain that operates 158 supermarkets and has been in business since 1936.

On August 30, 2004, the Company acquired 99-01 Queens Boulevard, a 68,000 square foot free-standing building in Forest Hills, New York for $26,500,000 in cash.

On November 2, 2004, the Company acquired a 50% joint venture interest in a 92,500 square foot property located at Broome Street and Broadway in New York City. The Company contributed $4,462,000 of equity and provided a $24,000,000 bridge loan with interest at 10% per annum. Upon the refinancing of the bridge loan, which is expected to close in the second quarter of 2005, the Company will be repaid $15,106,000 and the balance of $8,894,000 will remain in the venture as additional equity.

On November 12, 2004 and December 1, 2004, the Company acquired two shopping centers aggregating 185,000 square feet, in Lodi, New Jersey and Long Island (Inwood), New York, for a total purchase price of $36,600,000 in cash plus $10,900,000 of assumed debt.

In December 2004, the Company acquired two retail condominiums aggregating 12,000 square feet, located at 386 and 387 West Broadway in New York City for $16,900,000 in cash plus $4,700,000 of assumed debt.

The following table sets forth the percentage of the Retail Properties 2004 revenues by type of retailer:

Industry	Percentage
Department Stores	20%
Family Apparel	14%
Supermarkets	10%
Home Improvement	8%
Restaurants	6%
Home Entertainment and Electronics	6%
Women s Apparel	5%
Other	31%
	100%

The Company s 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 of 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 2004. None of the tenants in the Retail segment accounted for more than 10% of the Company s 2004 total revenues.

Below is a listing of tenants which accounted for 2% or more of the Retail properties revenues in 2004:

Tenant	Square Feet	2004 Revenues	Percentage of Retail Revenues	Percentage of Company Revenues
Wal-Mart/Sam s Wholesale	1,561,000	$ 13,561,000	5.5%	.8%
Stop & Shop Companies, Inc, (Stop & Shop)	311,000	10,177,000	4.1%	.6%
The Home Depot, Inc	630,000	9,986,000	4.0%	.6%
Kohl s	698,000	7,347,000	3.0%	.4%
Hennes & Mauritz	60,000	7,317,000	2.9%	.4%
Federated Department Stores	705,000	6,155,000	2.5%	.4%
Shop Rite	364,000	5,406,000	2.2%	.3%
The TJX Companies, Inc.	389,000	5,057,000	2.0%	.3%

See Item 3. Legal Proceedings for details of Stop & Shop litigation.

The aggregate occupancy rate for the 14,210,000 square feet of retail properties at December 31, 2004 is 93.9%. The following sets forth the occupancy rate and the average annual base rent per square foot for the Strip Shopping Centers and Regional Malls at the end of each of the past five years.

Strip Shopping Centers:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Base Rent Per Square Foot
2004	9,931,000	94.5%	$ 12.00
2003	8,798,000	92.3%	11.91
2002	9,295,000	85.7%	11.11
2001	9,008,000	89.0%	10.60
2000	9,000,000	91.1%	10.72

Regional Malls:

	Rentable	Occupancy	Average Annual Base Rent Per Square Foot	
As of December 31,	Square Feet	Rate	Mall Tenants	Total
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
2001	2,293,000	98.7%	34.04	15.31
2000	2,293,000	95.5%	32.05	14.84

Manhattan Retail and Other:

Manhattan retail is comprised of 13 properties containing 513,000 square feet.

The following table sets forth the lease expirations for the Retail Properties as of December 31, 2004 for each of the next 10 years assuming that none of the tenants exercise their renewal options.

				Annual Rent of Expiring Leases	
Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Retail Square Feet	Total	Per Square Foot
2005	152	869,000	6.1%	$ 14,327,000	$ 16.49
2006	89	799,000	5.6%	7,593,000	9.50

2007	127	556,000	3.9%	11,009,000	19.81
2008	136	1,495,000	10.5%	16,293,000	10.90
2009	102	729,000	5.1%	11,505,000	15.78
2010	57	590,000	4.1%	9,048,000	15.34
2011	48	787,000	5.5%	11,069,000	14.06
2012	43	416,000	2.9%	6,346,000	15.25
2013	62	857,000	6.0%	13,065,000	15.24
2014	62	906,000	6.4%	13,029,000	14.38

During 2004, the Company leased 1,021,000 square feet of Retail space as follows:

	2004 Leasing Activity	
Location	Square Feet	Average Initial Rent Per Square Foot(1)
Green Acres Mall, Valley Stream, NY	276,000	$ 18.46
Albany (Menands), NY	104,000	9.00
Woodbridge, NJ	60,000	13.84
Freeport, NY	55,000	17.50
East Hanover I, NJ	48,000	19.93
Dover, NJ	46,000	10.79
York, PA	46,000	6.07
Totowa, NJ	45,000	13.65
Towson, MD	42,000	6.26
Bethlehem, PA	35,000	5.31
Monmouth Mall, Eatontown, NJ (50%)	33,000	21.10
Middletown, NJ	32,000	14.29
Montehiedra, Puerto Rico	25,000	32.83
Jersey City, NJ	21,000	17.43
Lawnside, NJ	20,000	12.50
Las Catalinas, Puerto Rico	17,000	47.34
Cherry Hill, NJ	16,000	15.67
Lancaster, PA	15,000	4.50
Waterbury, CT	14,000	14.95
Bricktown, NJ	11,000	20.78
Union, NJ	11,000	32.50
Hackensack, NJ	9,000	33.33
Bensalem, PA	6,000	16.50
Chicopee, MA	6,000	14.17
North Plainfield, NJ	5,000	22.38
Bergen Mall, Paramus, NJ	4,000	32.51
East Hanover II, NJ	3,000	18.00
Turnersville, NJ	3,000	7.63
Watchung, NJ	3,000	15.50
25 W. 14th Street, Manhattan, NY	2,000	95.00
Kearny, NJ	2,000	28.00
Manalapan, NJ	2,000	57.50
Staten Island, NY	2,000	35.34
Morris Plains, NJ	1,000	90.00
4 Union Square South, Manhattan, NY	1,000	136.78
	1,021,000	16.33

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

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The following table sets forth the Retail Properties owned by the Company as of December 31, 2004:

Location	Approximate Leasable Building Square Footage: Owned/ Leased by Company	Approximate Leasable Building Square Footage: Owned by Tenant on Land Leased from Company	Percent Leased	Encumbrances (in thousands)
REGIONAL MALLS:				
Green Acres Mall, Valley Stream, NY(1)	1,517,000	79,000	95.8%	$ 152,819
Monmouth Mall, Eatontown, NJ (50% ownership)	718,000		96.1%	135,000
Montehiedra, Puerto Rico	554,000		89.1%	58,019
Las Catalinas, Puerto Rico	354,000		97.1%	65,696
Bergen Mall, Paramus, NJ	893,000	10,000	87.7%	
Total Regional Malls	4,036,000	89,000	93.4%	$ 411,534
Vornado s ownership interest	3,677,000	89,000	93.1%	$ 344,034
STRIP SHOPPING CENTERS:				
NEW JERSEY				
Bordentown	179,000		95.0%	$ 7,893(2)
Bricktown	260,000	3,000	98.6%	15,951(2)
Cherry Hill	58,000	206,000	90.5%	14,670(2)
Delran	169,000	3,000	95.5%	6,288(2)
Dover	173,000		78.2%	7,190(2)
East Brunswick	221,000	10,000	100.0%	22,273(2)
East Hanover I and II	348,000		99.0%	26,703(2)
Hackensack	209,000	60,000	100.0%	24,470(2)
Jersey City	47,000	173,000	100.0%	18,733(2)
Kearny	40,000	66,000	92.4%	3,657(2)
Lawnside	142,000	3,000	92.5%	10,366(2)
Lodi	171,000		100.0%	9,186(2)
Lodi II	85,000		100.0%	12,228
Manalapan	196,000	2,000	100.0%	12,260(2)
Marlton	174,000	7,000	95.0%	11,921(2)
Middletown	180,000	52,000	95.4%	16,092(2)
Montclair	18,000		100.0%	1,881(2)
Morris Plains	176,000	1,000	100.0%	11,780(2)
North Bergen	7,000	55,000	100.0%	3,878(2)
North Plainfield(1)	219,000		89.5%	10,649(2)
Totowa	178,000	139,000	100.0%	28,898(2)
Turnersville	89,000	7,000	100.0%	3,998(2)
Union	120,000	159,000	98.4%	32,818(2)
Watchung	50,000	116,000	98.3%	13,241(2)
Woodbridge	88,000	140,000	96.1%	21,631(2)
Total New Jersey	3,597,000	1,202,000	96.6%	348,655
NEW YORK				
Albany (Menands)	140,000		74.0%	6,083(2)
Buffalo (Amherst)(1)	185,000	112,000	81.1%	6,855(2)
Freeport	167,000		100.0%	14,480(2)
New Hyde Park(1)	101,000		100.0%	7,309(2)
Inwood	100,000		100.0%	
North Syracuse(1)		98,000	100.0%	
Rochester (Henrietta)(1)	148,000		57.9%	
Rochester		205,000	100.0%	
Staten Island	165,000		94.3%	20,923
Total New York	1,006,000	415,000	88.4%	55,650

Location	Approximate Leasable Building Square Footage Owned/ Leased by Company	Owned by Tenant on Land Leased from Company	Percent Leased	Encumbrances (in thousands)
PENNSYLVANIA				
Allentown	269,000	354,000	96.9%	22,741(2)
Bensalem	122,000	8,000	96.1%	6,284(2)
Bethlehem	159,000		98.2%	3,977(2)
Broomall	147,000	22,000	86.5%	9,563(2)
Glenolden	10,000	92,000	100.0%	7,172(2)
Lancaster	58,000	170,000	100.0%	
Levittown	105,000		100.0%	3,213(2)
10th and Market Streets, Philadelphia	271,000		76.2%	8,760(2)
Upper Moreland	122,000		100.0%	6,799(2)
York	111,000		66.1%	4,021(2)
Total Pennsylvania	1,374,000	646,000	92.5%	72,530
MARYLAND				
Baltimore (Towson)	152,000		64.4%	11,144(2)
Glen Burnie	65,000	56,000	100.0%	5,735(2)
Total Maryland	217,000	56,000	80.2%	16,879
CONNECTICUT				
Newington	43,000	140,000	100.0%	6,405(2)
Waterbury	146,000		92.2%	6,038(2)
Total Connecticut	189,000	140,000	96.5%	12,443
MASSACHUSETTS				
Chicopee		118,000	100.0%	
Milford(1)	83,000		100.0%	
Springfield	8,000	117,000	100.0%	3,057(2)
Total Massachusetts	91,000	235,000	100.0%	3,057
SUPERMARKETS:				
CALIFORNIA				
Anaheim	26,000		100.0%	
Barstow	30,000		100.0%	
Beaumont	29,000		100.0%	
Calimesa	29,000		100.0%	
Colton	73,000		100.0%	
Colton	26,000		100.0%	
Corona(1)	33,000		100.0%	
Costa Mesa	18,000		100.0%	
Costa Mesa	17,000		100.0%	
Desert Hot Springs	29,000		100.0%	
Fontana	26,000		100.0%	
Garden Grove	26,000		100.0%	
Mojave(1)	34,000		100.0%	
Moreno Valley	30,000		100.0%	
Ontario	24,000		100.0%	
Orange	26,000		100.0%	
Rancho Cucamonga	24,000		100.0%	
Rialto	29,000		100.0%	
Riverside	42,000		100.0%	
Riverside	39,000		100.0%	
San Bernadino	40,000		100.0%	
San Bernadino	30,000		100.0%	
Santa Ana	26,000		100.0%	
Westminister	26,000		100.0%	
Yucaipa	31,000		100.0%	

Total California	763,000		100.0%	
Total	**7,237,000**	**2,694,000**	**94.5%**	**$ 509,214**

Location	Approximate Leasable Building Square Footage: Owned/ Leased by Company	Approximate Leasable Building Square Footage: Owned by Tenant on Land Leased from Company	Percent Leased		Encumbrances (in thousands)
OTHER RETAIL:					
NEW YORK (Manhattan)					
1135 Third Avenue	25,000		100.0%		
4 Union Square South	198,000		97.5%		
25 W. 14th Street	62,000		89.5%		
386 W. Broadway	3,000		100.0%		5,084
387 W. Broadway	9,000		59.1%		
424 Sixth Avenue	10,000		100.0%		
435 Seventh Avenue	43,000		100.0%		
478-486 Broadway (50%)	93,000		83.0%		
484 Eighth Avenue	14,000		100.0%		
715 Lexington Avenue (in development)(1)	32,000				
825 Seventh Avenue	3,000		100.0%		
968 Third Avenue (50%) (in development)					
NEW YORK (Queens)					
99-01 Queens Boulevard	68,000		55.0%		
Total Other Retail	**560,000**		**88.1%**	**$**	**5,084**
Total Retail Space	**11,833,000**	**2,783,000**	**94.0%**	**$**	**925,832**
Vornado s Ownership Interest	**11,427,000**	**2,783,000**	**93.9%**	**$**	**858,332**
ASSETS HELD FOR SALE:					
Vineland, New Jersey	**143,000**		**0%**	**$**	

(1) 100% ground and/or building leasehold interest; other than Green Acres, where approximately 10% of the ground is leased.

(2) These encumbrances are cross collateralized under a blanket mortgage in the amount of $476,063,000 at December 31, 2004.

Merchandise Mart Segment

The Merchandise Mart Properties are a portfolio of 8 properties containing an aggregate of 8.6 million square feet.

Below is a breakdown of square feet by location and use as of December 31, 2004.

			Showroom			
(Amounts in thousands)	**Total**	**Office**	**Total**	**Permanent**	**Temporary Trade Show**	**Retail**
Chicago, Illinois						
Merchandise Mart	3,446	1,029	2,336	1,950	386	81
350 West Mart Center	1,210	1,066	144	144		
33 N. Dearborn	334	320				14
Other	19					19
Total Chicago, Illinois	5,009	2,415	2,480	2,094	386	114
HighPoint, North Carolina						
Market Square Complex	1,749		1,734	1,174	560	15
National Furniture Mart	259		259	259		
Total HighPoint, North Carolina	2,008		1,993	1,433	560	15
L.A. Mart	783		783	729	54	
Washington, D.C.						
Washington Design Center	393	60	333	333		
Washington Office Center	397	362				35
Total Washington, D.C.	790	422	333	333		35
Total Merchandise Mart Properties	8,590	2,837	5,589	4,589	1,000	164
Occupancy rate	96.9%	96.0%	97.6%			89.4%

The Merchandise Mart Properties also contain seven parking garages totaling 1,150,000 square feet (3,500 spaces). The garage space is excluded from the statistics provided in this section.

Office Space

The following table sets forth the percentage of the Merchandise Mart Properties 2004 office revenues by tenants industry during 2004:

Industry	**Percentage**
Service	31%
Government	23%

Banking	15	%
Telecommunications	12	%
Insurance	6	%
Pharmaceutical	4	%
Publications	4	%
Other	5	%
	100	%

The Company s Merchandise Mart properties lease terms generally range from three to seven years for smaller tenants to as long as 15 years for large tenants. Leases typically provide for step-ups in rent periodically over the term of the lease and pass through to tenants the tenants share of increases in real estate taxes and operating expenses for a building over a base year. Electricity is provided to tenants on a sub-metered basis or included in rent and adjusted for subsequent utility rate increases. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant s initial construction of its premises.

Below is a listing of the Merchandise Mart Properties office tenants which accounted for 2% or more of the Merchandise Mart Properties revenues in 2004:

Tenant	Square Feet Leased	2004 Revenues	Percentage of Segment Revenues	Percentage of Company Revenues
U.S. Government	344,000	$ 12,401,000	5.2%	.7%
SBC Ameritech	234,000	6,829,000	2.9%	.4%
Bank of America	205,000	5,461,000	2.3%	.3%
WPP Group	228,000	5,252,000	2.2%	.3%

The following table sets forth the occupancy rate and the average annual escalated rent per square foot for the Merchandise Mart Properties office space at the end of each of the past five years.

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2004	2,837,000	96.0%	$ 24.87
2003	2,825,000	92.6%	25.23
2002	2,838,000	91.7%	24.00
2001	2,841,000	89.2%	23.84
2000	2,869,000	90.2%	23.52

During 2004, the Company leased 568,740 square feet of Merchandise Mart Properties office space as follows:

	2004 Leasing Activity	
	Square Feet	Average Initial Rent Per Square Foot(1)
350 West Mart Center	359,339	$ 21.38
Merchandise Mart	120,898	23.08
33 North Dearborn Street	62,561	25.42
Washington Design Center	15,210	36.00
Washington Office Center	10,732	35.83
Total	568,740	22.85

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

The following table sets forth lease expirations for the Merchandise Mart Properties office space as of December 31, 2004 for each of the next 10 years assuming that none of the tenants exercise their renewal options.

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Merchandise Mart Office Square Feet	Annual Escalated Rent of Expiring Leases Total	Annual Escalated Rent of Expiring Leases Per Square Foot
2005	29	159,000	5.6%	$ 3,633,000	$ 22.82
2006	18	166,000	5.8%	4,077,000	24.59
2007	17	228,000	8.0%	5,433,000	23.79
2008	20	276,000	9.7%	6,394,000	23.15
2009	13	295,000	10.3%	7,233,000	24.53
2010	4	364,000	12.8%	12,205,000	33.50
2011	2	193,000	6.7%	5,902,000	30.51
2012	2	45,000	1.5%	1,167,000	25.70
2013	11	135,000	4.9%	3,665,000	27.18
2014	4	85,000	2.9%	2,371,000	27.84

Showroom Space

The showrooms provide manufacturers and wholesalers with permanent and temporary space in which to display products for buyers, specifiers and end users. The showrooms are also used for hosting trade shows for the contract furniture, casual furniture, gifts, carpet, residential furnishings, building products, crafts, apparel and design industries. Merchandise Mart Properties own and operate five of the leading furniture and gifts trade shows including the contract furniture industry s largest annual trade show, NeoCon, which attracts over 45,000 attendees each June and is hosted at the Merchandise Mart building in Chicago. The Market Square Complex co-hosts the home furniture industry s semi-annual (April and October) market weeks which occupy over 11,500,000 square feet in the High Point, North Carolina region.

The following table sets forth the percentage of the Merchandise Mart Properties 2004 showroom revenues by tenants industry:

Industry	Percentage
Residential Design	25%
Gift	21%
Residential Furnishings	17%
Contract Furnishings	14%
Market Suites	14%
Casual Furniture	4%
Building Products	3%
Apparel	2%
	100%

The following table sets forth the occupancy rate and the average escalated rent per square foot for this space at the end of each of the past five years.

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2004	5,589,000	97.6%	$ 23.08
2003	5,640,000	95.1%	22.35
2002	5,528,000	95.2%	21.46
2001	5,532,000	95.5%	22.26
2000	5,044,000	97.6%	22.85

During 2004, the Company leased 1,037,536 square feet of Merchandise Mart Properties showroom space as follows:

	2004 Leasing Activity	
	Square Feet	Average Initial Rent Per Square Foot(1)
Market Square Complex	438,740	$ 16.31
Merchandise Mart	374,604	30.57
L.A. Mart	130,798	17.92
350 West Mart Center	50,939	23.39
Washington Design Center	42,455	31.99
Total	1,037,536	22.65

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

The following table sets forth lease expirations for the Merchandise Mart Properties showroom space as of December 31, 2004 for each of the next 10 years assuming that none of the tenants exercise their renewal options.

				Annual Escalated Rent of Expiring Leases	
Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Merchandise Mart Showroom Square Feet	Total	Per Square Foot
2005	239	576,000	10.6%	$ 13,269,000	$ 23.06
2006	254	585,000	10.7%	15,212,000	26.02
2007	237	1,004,000	18.4%	21,576,000	21.49
2008	149	547,000	10.0%	13,472,000	24.63
2009	137	556,000	10.2%	13,233,000	23.78
2010	54	337,000	6.2%	8,867,000	26.27
2011	31	167,000	3.1%	4,714,000	28.25
2012	8	50,000	0.9%	1,557,000	31.32
2013	43	267,000	4.9%	7,854,000	29.42

2014	18	158,000	2.9%	3,230,000	20.44

Retail Space

The Merchandise Mart Properties portfolio also contains approximately 180,000 square feet of retail space which was 89.4% occupied at December 31, 2004.

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The following table sets forth the Merchandise Mart Properties owned by the Company as of December 31, 2004:

Location	**Approximate Leasable Building Square Feet**	**Percent Leased**	**Encumbrances (in thousands)**
ILLINOIS			
Merchandise Mart, Chicago	3,446,000	97.1%	$
350 West Mart Center, Chicago	1,210,000	96.0%	
33 North Dearborn Street, Chicago	334,000	92.0%	
Other (50% interest)	19,000	95.6%	12,480
Total Illinois	5,009,000	96.5%	12,480
WASHINGTON, D.C.			
Washington Office Center	397,000	99.2%	
Washington Design Center	393,000	99.6%	48,000
Total Washington, D.C.	790,000	99.2%	48,000
HIGH POINT, NORTH CAROLINA			
Market Square Complex	2,008,000	98.9%	108,000
CALIFORNIA			
L.A. Mart	783,000	92.2%	
Total Merchandise Mart Properties	**8,590,000**	**96.9%**	**$ 168,480**

Temperature Controlled Logistics Segment

Prior to November 18, 2004, the Company owned a 60% interest in Vornado Crescent Portland Partnership (VCPP) which owned Americold Realty Trust (Americold). Americold owns 88 temperature controlled warehouses, all of which were leased to AmeriCold Logistics. On November 4, 2004, Americold purchased its tenant, AmeriCold Logistics, for $47,700,000 in cash. On November 18, 2004, the Company and its 40% partner, Crescent Real Estate Equities Company (CEI) collectively sold 20.7% of Americold s common shares to The Yucaipa Companies (Yucaipa) for $145,000,000, which resulted in a gain, of which the Company s share was $18,789,000. The sale price was based on a $1.450 billion valuation for Americold before debt and other obligations. Yucaipa is a private equity firm with significant expertise in the food distribution, logistics and retail industries. Upon closing of the sale to Yucaipa on November 18, 2004, Americold is owned 47.6% by the Company, 31.7% by CEI and 20.7% by Yucaipa. Pursuant to the sales agreement: (i) Yucaipa may earn a promote of 20% of the increase in the value of Americold through December 31, 2007, limited to 10% of the Company s and CEI s remaining interest in Americold; (ii) the annual asset management fee payable by CEI to the Company has been reduced from approximately $5,500,000 to $4,548,000, payable quarterly through October 30, 2027. CEI, at its option, may terminate the payment of this fee at any time after November 2009, by paying the Company a termination fee equal to the present value of the remaining payments through October 30, 2027, discounted at 10%. In addition, CEI is obligated to pay a pro rata portion of the termination fee to the extent it sells a portion of its equity interest in Americold; and (iii) VCPP was dissolved. The Company has the right to appoint three of the five members to Americold s Board of Trustees. Consequently, the Company is deemed to exercise control over Americold and, on November 18, 2004, the Company began to consolidate the operations and financial position of Americold into its accounts and no longer accounts for its investment on the equity method.

AmeriCold Logistics, headquartered in Atlanta, Georgia, provides the food industry with refrigerated warehousing and transportation management services. Refrigerated warehouses are comprised of production, distribution and public facilities. In addition, AmeriCold Logistics manages facilities owned by its customers for which it earns fixed and incentive fees. Production facilities typically serve one or a small number of customers, generally food processors that are located nearby. Customers store large quantities of processed or partially processed products in these facilities until they are shipped to the next stage of production or distribution. Distribution facilities primarily warehouse a wide variety of customers finished products until future shipment to end-users. Each distribution facility generally services the surrounding regional market. Public facilities generally serve the needs of local and regional customers under short-term agreements. Food manufacturers and processors use these facilities to store capacity overflow from their production facilities or warehouses. AmeriCold Logistics transportation management services include freight routing, dispatching, freight rate negotiation, backhaul coordination, freight bill auditing, network flow management, order consolidation and distribution channel assessment. AmeriCold Logistics temperature controlled logistics expertise and access to both frozen food warehouses and distribution channels enable its customers to respond quickly and efficiently to time-sensitive orders from distributors and retailers.

AmeriCold Logistics customers consist primarily of national, regional and local frozen food manufacturers, distributors, retailers and food service organizations. Below is a listing of customers which accounted for 2% or more of AmeriCold Logistics revenue in 2004:

(Amounts in thousands)	2004 Revenues	Percentage of Temperature Controlled Logistics Revenues
H.J. Heinz & Co.	$ 111,872	16.0%
Con-Agra Foods, Inc.	79,192	11.3%
Altria Group Inc. (Kraft Foods).	46,825	6.7%
Sara Lee Corp.	34,913	5.0%
Tyson Foods, Inc.	27,757	4.0%
General Mills	27,057	3.9%
Schwan Corporation	23,690	3.4%
McCain Foods, Inc.	22,187	3.2%

On November 18, 2004, Tony Schnug became Chief Executive Officer of Americold. Mr. Schnug is a partner of The Yucaipa Companies responsible for conducting due diligence of potential acquisitions and oversees management of portfolio companies on strategy and operational issues. Previously, Mr. Schnug was an executive officer of Yucaipa portfolio companies including Fred Meyer, Ralphs and Food 4 Less with responsibilities covering logistics, manufacturing and construction.

The following table sets forth certain information for the Temperature Controlled Logistics properties as of December 31, 2004:

Property	Cubic Feet (in millions)	Square Feet (in thousands)
ALABAMA		
Birmingham	2.0	85.6
Montgomery	2.5	142.0
Gadsden(1)	4.0	119.0
Albertville	2.2	64.5
	10.7	411.1
ARIZONA		
Phoenix	2.9	111.5
ARKANSAS		
Fort Smith	1.4	78.2
West Memphis	5.3	166.4
Texarkana	4.7	137.3
Russellville	5.6	164.7
Russellville	9.5	279.4
Springdale	6.6	194.1
	33.1	1,020.1
CALIFORNIA		
Ontario(1)	8.1	279.6
Fullerton(1)	2.8	107.7
Pajaro(1)	1.4	53.8
Turlock	2.5	108.4
Watsonville(1)	5.4	186.0
Turlock	3.0	138.9
Ontario	1.9	55.9
	25.1	930.3
COLORADO		
Denver	2.8	116.3
FLORIDA		
Tampa	0.4	22.2
Plant City	0.8	30.8
Bartow	1.4	56.8
Tampa	2.9	106.0
Tampa(1)	1.0	38.5
	6.5	254.3
GEORGIA		
Atlanta	11.1	476.7
Atlanta	2.9	157.1
Augusta	1.1	48.3
Atlanta	11.4	334.7
Atlanta	5.0	125.7
Montezuma	4.2	175.8
Atlanta	6.9	201.6

Thomasville	6.9	202.9
	49.5	1,722.8
IDAHO		
Burley	10.7	407.2
Nampa	8.0	364.0
	18.7	771.2
ILLINOIS		
Rochelle	6.0	179.7
East Dubuque	5.6	215.4
	11.6	395.1
INDIANA		
Indianapolis	9.1	311.7
IOWA		
Fort Dodge	3.7	155.8
Bettendorf	8.8	336.0
	12.5	491.8
KANSAS		
Wichita	2.8	126.3
Garden City	2.2	84.6
	5.0	210.9
KENTUCKY		
Sebree	2.7	79.4
MAINE		
Portland	1.8	151.6
MASSACHUSETTS		
Gloucester	1.9	95.5
Gloucester	0.3	13.6
Gloucester	2.8	95.2
Gloucester	2.4	126.4
Boston	3.1	218.0
	10.5	548.7
MINNESOTA		
Park Rapids (50% interest)	3.0	86.8
MISSOURI		
Marshall	4.8	160.8
Carthage	42.0	2,564.7
	46.8	2,725.5
MISSISSIPPI		
West Point	4.7	180.8
NEBRASKA		
Fremont	2.2	84.6
Grand Island	2.2	105.0
	4.4	189.6
NEW YORK		
Syracuse	11.8	447.2

Property	Cubic Feet (in millions)	Square Feet (in thousands)
NORTH CAROLINA		
Charlotte	1.0	58.9
Charlotte	4.1	164.8
Tarboro	4.9	147.4
	10.0	371.1
OHIO		
Massillon	5.5	163.2
OKLAHOMA		
Oklahoma City	0.7	64.1
Oklahoma City	1.4	74.1
	2.1	138.2
OREGON		
Hermiston	4.0	283.2
Milwaukee	4.7	196.6
Salem	12.5	498.4
Woodburn	6.3	277.4
Brooks	4.8	184.6
Ontario	8.1	238.2
	40.4	1,678.4
PENNSYLVANIA		
Leesport	5.8	168.9
Fogelsville	21.6	683.9
	27.4	852.8
SOUTH CAROLINA		
Columbia	1.6	83.7
SOUTH DAKOTA		
Sioux Falls	2.9	111.5
TENNESSEE		
Memphis	5.6	246.2
Memphis	0.5	36.8
Murfreesboro	4.5	106.4
	10.6	389.4
TEXAS		
Amarillo	3.2	123.1
Fort Worth	3.4	102.0
	6.6	225.1
UTAH		
Clearfield	8.6	358.4
VIRGINIA		
Norfolk	1.9	83.0
Strasburg	6.8	200.0
	8.7	283.0
WASHINGTON		
Burlington	4.7	194.0

Moses Lake	7.3	302.4
Walla Walla	3.1	140.0
Connell	5.7	235.2
Wallula	1.2	40.0
Pasco	6.7	209.0
	28.7	1,120.6
WISCONSIN		
Tomah	4.6	161.0
Babcock	3.4	111.1
Plover	9.4	358.4
	17.4	630.5
Total Temperature Controlled Logistics Properties	**443.7**	**17,562.6**

(1) Leasehold interest.

On February 5, 2004, Americold completed a $254,400,000 mortgage financing for 21 of its owned and seven of its leased temperature-controlled warehouses. The loan bears interest at LIBOR plus 2.95% (with a LIBOR floor of 1.5% with respect to $54,400,000 of the loan) and requires principal payments of $5,000,000 annually. The loan matures in April 2009 and is pre-payable without penalty after February 5, 2006. The net proceeds were approximately $225,000,000 after providing for usual escrows, closing costs and the repayment of $12,900,000 of existing mortgages on two of the warehouses, of which $135,000,000 was distributed to the Company and the remainder was distributed to its partner, CEI. As at December 31, 2004, all except two of Americold s properties are encumbered under cross-collateralized mortgage loans aggregating $733,740,000.

Alexander s

The Company owns 33% of Alexander s outstanding common shares. The following table shows the location, approximate size and leasing status of each of the properties owned by Alexander s as of December 31, 2004.

Location	Land Area in Square Feet or Acreage	Building Area/ Number of Floors		Percent Leased		Significant Tenants	Encumbrances (in thousands)	
Operating Properties								
New York:								
731 Lexington Avenue Manhattan:	84,420 SF					Bloomberg The Home Depot The Container Store		
Office and Retail		1,052,000/31		84.9	%	Hennes & Mauritz	$	465,168
Residential condominiums		248,000/24						
		1,300,000/55						
Kings Plaza Regional Shopping Center-Brooklyn	24.3 acres	759,000/2 and 4	(1)(2)	98.1	%	Sears		213,699
						123 Mall Tenants		
Rego Park I-Queens	4.8 acres	351,000/3	(1)	100.0	%	Sears		81,661
						Circuit City Bed, Bath & Beyond Marshalls		
Flushing-Queens(3)	44.975 SF	177,000/4	(1)	0	%			
New Jersey:								
Paramus-New Jersey	30.3 acres			100.0	%	IKEA Property, Inc.		68,000
		2,587,000						
Development Property								
Rego Park II-Queens	10.0 acres							

(1) Excludes parking garages.

(2) Excludes 339,000 square foot Macy s store, owned and operated by Federated Department Stores, Inc.

(3) Leased by Alexander s through January 2027.

731 Lexington Avenue

731 Lexington Avenue is a 1.3 million square foot multi-use building. The building contains approximately 885,000 net rentable square feet of office space, approximately 174,000 net rentable square feet of retail space and approximately 248,000 net saleable square feet of residential space consisting of 105 condominium units (through a taxable REIT subsidiary (TRS)). Of the construction budget of $630,000,000 (which excludes $29,000,000 for development and guarantee fees to the Company), $489,400,000 has been expended through December 31, 2004 and an additional $23,500,000 has been committed at December 31, 2004. Construction is expected to be completed by the end of 2005.

As of December 31, 2004, Alexander s has leased 697,000 square feet of office space to Bloomberg L.P. and 144,000 square feet of retail space to, among others, The Home Depot (excluding 14,800 square feet of the mezzanine also leased to The Home Depot), Hennes & Mauritz and The Container Store. On January 25, 2005, Alexander s leased an additional 176,000 square feet of office space to Citibank N.A. As a result, 100% of the property s 885,000 square feet of office space has been leased.

The offering plan for the residential space, as amended for price increases through December 31, 2004, would produce an aggregate sale price of $500,000,000 (reflecting the value of existing contracts and the offering price for the remaining units). As of December 31, 2004, Alexander s has received deposits of $64,060,000 on sales of the condominium units. On January 24, 2005 the offering plan was declared effective by the State of New York at which time 83 units were under sales contract. Alexander s expects to close on these sales during 2005 and recognize approximately $38,000,000 of income after taxes of which $32,000,000 will be recognized in the first quarter using the percentage-of-completion method. The Company s share of the income to be recognized in the first quarter is $10,560,000.

On February 13, 2004, Alexander s completed a $400,000,000 mortgage financing on the office space of its Lexington Avenue development project. The loan bears interest at 5.33%, matures in February 2014 and beginning in the third year, provides for principal payments based on a 25-year amortization schedule such that over the remaining eight years of the loan, ten years of amortization will be paid. Of the loan proceeds, $253,529,000 was used to repay the entire amount outstanding under the construction loan. The construction loan was modified so that the remaining availability is $237,000,000, which was approximately the amount estimated to complete the Lexington Avenue development project. The interest rate on the construction loan is LIBOR plus 2.5% (4.92% at December 31, 2004) and matures in January 2006, with two one-year extensions. The collateral for the construction loan is the same, except that the office space has been removed from the lien. Further, the construction loan permits the release of the retail space for a payment of $15,000,000 and requires all proceeds from the sale of the residential condominium units to be applied to the construction loan balance until it is finally repaid.

The Company guaranteed to the 731 Lexington Avenue construction lender, the lien free, timely completion of the construction of the project and funding of project costs in excess of a stated budget, if not funded by Alexander s (the Completion Guarantee). The $6,300,000 estimated fee payable by Alexander s to the Company for the Completion Guarantee is 1% of construction costs (as defined). Based upon the current status of construction, management does not anticipate a requirement to fund pursuant to this completion guarantee.

The Newkirk Master Limited Partnership

In 1998, the Company and affiliates of Apollo Real Estate Investment Fund III, L.P. (Apollo) formed a joint venture (30% owned by the Company and 70% owned by Apollo) (Newkirk JV) to acquire general and limited partnership interests in a portfolio of 104 partnerships, which own triple net leased properties. Since its formation, Newkirk JV has acquired equity interests in the above partnerships, which own approximately 19.6 million square feet of real estate and acquired certain first and second mortgages (Contract Rights) secured by a portion of these properties. On January 1, 2002, Newkirk JV completed a merger of 91 of the partnerships as well as the other assets it owned relating to the other 13 partnerships into The Newkirk Master Limited Partnership (MLP). The partnerships were merged into MLP to create a vehicle to enable the partners to have greater access to capital and future investment opportunities. In connection with the merger, the Company received limited partner interests in the MLP equal to an approximate 21.1% interest and Apollo received limited partner interests in the MLP equal to an approximate 54.5% interest. At December 31, 2004, the Company has a 22.4% interest in the MLP. Newkirk JV is the general partner of the MLP.

The Company s share of the MLP and the joint venture debt was approximately $213,688,000 at December 31, 2004.

The following table sets forth a summary of the real estate owned throughout the United States by the MLP:

	Number of Properties	Square Feet
Office	36	7,352,000
Retail	151	5,427,000
Other	21	5,257,000
	208	18,036,000

As of December 31, 2004, the occupancy rate of the MLP s properties is 98.6%.

The primary lease terms range from 20 to 25 years from their original commencement dates with rents, typically above market, which fully amortize the first mortgage debt on the properties. In addition, tenants generally have multiple renewal options, with rents, on average, below market.

Below is a listing of tenants which accounted for 2% or more of the MLP s revenues in 2004:

Tenant	Square Feet Leased	2004 Revenues	Percentage
Raytheon	2,287,000	$ 40,421,000	15.8%
Albertson s Inc.	2,810,000	26,683,000	10.4%
The Saint Paul Co.	530,000	25,532,000	9.9%
Honeywell	728,000	19,799,000	7.7%
Federal Express	592,000	14,812,000	5.8%
Owens-Illinois	707,000	13,363,000	5.2%
Entergy Gulf States	489,000	12,212,000	4.8%
Safeway Inc.	736,000	8,543,000	3.3%
Hibernia Bank	403,000	8,196,000	3.2%
Nevada Power Company	282,000	7,189,000	2.8%
The Kroger Company	474,000	6,920,000	2.7%
Xerox	379,000	5,940,000	2.3%
Cheeseborough/Ragu	484,000	5,541,000	2.2%
Stater Bros Markets	668,000	5,352,000	2.1%

The following table sets forth lease expirations for each of the next 10 years, as of December 31, 2004, assuming that none of the tenants exercise their renewal options.

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of MLP Square Feet	Annual Escalated Rent of Expiring Leases	
				Total	Per Square Foot
2005	19	792,000	1.5%	$ 4,642,000	$ 5.86
2006	28	2,298,000	10.1%	26,726,000	11.63
2007	32	3,005,000	14.5%	37,460,000	12.46
2008	63	6,791,000	40.7%	103,773,000	15.28
2009	44	2,685,000	24.3%	57,261,000	21.33
2010	5	1,006,000	1.9%	4,542,000	4.52
2011	4	267,000	1.3%	3,373,000	12.65
2012	9	395,000	1.2%	3,187,000	8.07
2013	1	40,000	0.3%	870,000	21.96
2014	1	282,000	2.7%	7,189,000	25.49

Hotel Pennsylvania

The Hotel Pennsylvania is located in New York City on Seventh Avenue opposite Madison Square Garden and consists of a hotel portion containing 1,000,000 square feet of hotel space with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space. The following table presents rental information for the Hotel:

	Year Ended December 31,				
	2004	2003	2002	2001	2000
Hotel:					
Average occupancy rate	78.9%	63.7%	64.7%	63.0%	76.0%
Average daily rate	$ 97.36	$ 89.12	$ 89.44	$ 110.00	$ 114.00
Revenue per available room	$ 77.56	$ 58.00	$ 58.00	$ 70.00	$ 87.00
Commercial:					
Office space:					
Average occupancy rate	39.7%	39.7%	47.8%	51.3%	63.0%
Annual rent per square feet	$ 10.04	$ 9.92	$ 13.36	$ 16.39	$ 17.00
Retail space:					
Average occupancy rate	90.7%	89.8%	92.6%	56.2%	85.0%
Annual rent per square feet	$ 29.67	$ 28.11	$ 28.06	$ 41.00	$ 45.00

GMH Communities L.P.

At December 31, 2004, the Company has a 12.25% interest in GMH Communities L.P. (GMH), resulting from the Company s conversion of warrants into 6.7 million limited partnership units of GMH Communities LP on November 3, 2004. In addition, the Company holds warrants to purchase an additional 5.6 million limited partnership units of GMH or common shares of GMH Communities Trust (GCT) at a price of $8.99 per unit or share through May 2, 2006. See page 7 for further details. GMH owns 30 student housing properties, aggregating 7.8 million square feet and 19,085 beds, and manages an additional 20 properties that serve colleges and universities throughout the United States. In addition, GMH manages 51 military housing projects containing 101,216 units under long-term agreements with the United States Government. GMH has $359,276,000 of debt outstanding at December 31, 2004, of which the Company s share is $44,011,000.

Dry Warehouse/Industrial Properties

The Company s dry warehouse/industrial properties consist of seven buildings in New Jersey containing approximately 1.7 million square feet. The properties are encumbered by two cross-collateralized mortgage loans aggregating $48,385,000 as of December 31, 2004. Average lease terms range from three to five years. The following table sets forth the occupancy rate and average annual rent per square foot at the end of each of the past five years.

As of December 31,	Occupancy Rate	Average Annual Rent Per Square Foot
2004	88%(1)	$ 3.96(1)
2003	88%(1)	3.86(1)
2002	95%	3.81
2001	100%	3.67
2000	90%	3.52

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(1) Excludes the Company s East Brunswick industrial warehouse. In November 2002, the Company entered into an agreement to ground lease the East Brunswick industrial property to Lowe s. In connection therewith, the Company is razing the 326,000 square foot warehouse and Lowe s will construct its own retail store on the site.

400 North LaSalle

The 400 North LaSalle venture was formed in July 2001, to develop a 381,000 square foot, high-rise residential tower with an attached parking garage in Chicago Illinois, containing 452 apartments. Under the agreement the Company contributed 92% of the equity and is entitled to receive 85% of the profits. The development of the residential tower and garage was substantially completed and phased into service as of January 2004 and is 90.0% occupied as of December 31, 2004. As of December 31, 2004, the Company has classified this asset as held for sale on its consolidated balance sheets and the related revenues and expenses as discontinued operations on the consolidated statements of operations.

ITEM 3. LEGAL PROCEEDINGS

The Company is from time to time involved in legal actions arising in the ordinary course of its business. In the opinion of management, after consultation with legal counsel, the outcome of such matters, including in respect of the matter referred to below, is not expected to have a material adverse effect on the Company s financial position or results of operation.

Stop & Shop

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey (USDC-NJ) claiming the Company has no right to reallocate and therefore continue to collect the $5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the $5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze the Company s right to re-allocate which effectively terminated the Company s right to collect the additional rent from Stop & Shop. On March 3, 2003, after the Company moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. On April 9, 2003, the Company moved the New York Supreme Court action to the United States District Court for the Southern District of New York. Stop & Shop moved to remand and both sides moved for summary judgment. On June 30, 2003, the District Court ordered that the case be placed in suspense and ordered the parties to proceed with a motion for interpretation that the Company made in the United States Bankruptcy Court for the Southern District of New York. On July 24, 2003, the Bankruptcy Court referred the motion to mediation. The mediation concluded in June 2004 without resolving the dispute. On June 9, 2004, after reconvening the hearing on the Company s motion for interpretation, the Bankruptcy Court entered an order abstaining from hearing the Company s motion. On June 17, 2004, the Company filed a notice of appeal from the Bankruptcy Court s order to the District Court. On January 19, 2005, the District Court issued a decision affirming the Bankruptcy Court s decision and remanded the removed action to the New York Supreme Court. The Company believes that the additional rent provision of the guaranty expires at the earliest in 2012 and will vigorously oppose Stop & Shop s complaint.

Vornado Operating Company

In November 2004, a class action shareholder derivative lawsuit was brought in the Delaware Court of Chancery against Vornado Operating Company (Vornado Operating), its directors and the Company. The lawsuit sought to enjoin the dissolution of Vornado Operating, rescind the previously completed sale of AmeriCold Logistics (owned 60% by Vornado Operating) to Americold Realty Trust (owned 60% by the Company) and damages. In addition, the plaintiffs claimed that the Vornado Operating directors breached their fiduciary duties. On November 24, 2004, a stipulation of settlement was entered into under which the Company agreed to settle the lawsuit with a payment of approximately $4.5 million or about $1 per Vornado Operating share or partnership unit before litigation expenses. The proposed settlement payment would be in addition to the liquidation distribution of $2 per Vornado Operating share or unit that Vornado Operating made to its equity-holders when it dissolved on December 29, 2004. On January 20, 2005, the Delaware Court of Chancery postponed deciding upon the proposed settlement and requested further but limited information before holding an additional hearing regarding the settlement, which has been scheduled for March 2005. The Company has accrued the proposed settlement payment and related legal costs as part of general and administrative expense in the fourth quarter of 2004. The Company believes that the ultimate outcome of this matter will not have a material effect on the Company s consolidated financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2004.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	**Age**	**PRINCIPAL OCCUPATION, POSITION AND OFFICE (current and during past five years with Vornado unless otherwise stated)**
Steven Roth	63	Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee of the Board; the Managing General Partner of Interstate Properties, an owner of shopping centers and an investor in securities and partnerships; Chief Executive Officer of Alexander s, Inc. since March 1995, a Director since 1989, and Chairman since May 2004.
Michael D. Fascitelli	48	President and a Trustee since December 1996; President of Alexander s Inc. since August 2000 and Director since December 1996; Partner at Goldman, Sachs & Co. in charge of its real estate practice from December 1992 to December 1996; and Vice President at Goldman, Sachs & Co., prior to December 1992.
Melvyn H. Blum	58	Executive Vice President-Development since January 2000; Senior Managing Director at Tishman Speyer Properties in charge of its development activities in the United States from July 1998 to January 2000; and Managing Director of Development and Acquisitions at Tishman Speyer Properties prior to July 1998.
Michelle Felman	42	Executive Vice President-Acquisitions since September 2000; Independent Consultant to Vornado from October 1997 to September 2000; Managing Director-Global Acquisitions and Business Development of GE Capital from 1991 to July 1997.
David R. Greenbaum	53	President of the New York City Office Division since April 1997 (date of the Company s acquisition); President of Mendik Realty (the predecessor to the New York City Office Properties Division) from 1990 until April 1997.
Christopher Kennedy	41	President of the Merchandise Mart Division since September 2000; Executive Vice President of the Merchandise Mart Division from April 1998 to September 2000; Executive Vice President of Merchandise Mart Properties, Inc. from 1994 to April 1998.
Joseph Macnow	59	Executive Vice President-Finance and Administration since January 1998 and Chief Financial Officer since March 2001; Vice President-Chief Financial Officer of the Company from 1985 to January 1998; Executive Vice President and Chief Financial Officer of Alexander s, Inc. since August 1995.
Sandeep Mathrani	42	

		Executive Vice President-Retail Real Estate since March 2002; Executive Vice President, Forest City Ratner from 1994 to February 2002.
Mitchell N. Schear	46	President of Charles E. Smith Commercial Realty since April 2003; President of Kaempfer Company from 1998 to April 2003 (date acquired by the Company).
Wendy Silverstein	44	Executive Vice President-Capital Markets since April 1998; Senior Credit Officer of Citicorp Real Estate and Citibank, N.A. from 1986 to 1998.
Robert H. Smith	76	Chairman of Charles E. Smith Commercial Realty since January 2002 (date acquired by the Company); Co-Chief Executive Officer and Co-Chairman of the Board of Charles E. Smith Commercial Realty L.P. (the predecessor to Charles E. Smith Commercial Realty) prior to January 2002.

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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

Quarterly closing price ranges of the common shares and dividends paid per share for the years ended December 31, 2004 and 2003 were as follows:

	Year Ended December 31, 2004			Year Ended December 31, 2003		
Quarter	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
1st	$ 60.48	$ 53.16	$ .87 (1)	$ 38.35	$ 33.30	$ .68
2nd	60.87	48.09	.71	45.15	36.17	.68
3rd	65.30	57.06	.71	48.25	43.37	.68
4th	76.40	64.05	.76	55.84	48.05	.87 (1)

(1) Comprised of a regular quarterly dividend of $.71 per share and a special capital gain cash dividend of $.16 per share.

On February 1, 2005, there were 1,626 holders of record of the Company s common shares.

Recent Sales of Unregistered Securities

During 2003 and 2002 the Company issued 737,212 and 176,848 common shares, respectively, upon the redemption of Class A units of the Operating Partnership held by persons who received units in private placements in earlier periods in exchange for their interests in limited partnerships that owned real estate. The common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4(2) of that Act.

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

ITEM 6. SELECTED FINANCIAL DATA:

	Year Ended December 31,				
(in thousands, except share and per share amounts)	**2004(2)**	**2003**	**2002(3)**	**2001**	**2000**
Operating Data:					
Revenues:					
Property rentals	$ 1,344,812	$ 1,256,073	$ 1,204,349	$ 813,089	$ 666,248
Tenant expense reimbursements	191,059	179,115	154,727	129,013	116,422
Temperature Controlled Logistics	87,428				
Fee and other income	83,963	62,795	27,718	10,059	9,753
Total Revenues	1,707,262	1,497,983	1,386,794	952,161	792,423
Expenses:					
Operating	679,790	581,550	517,958	385,449	305,141
Depreciation and amortization	242,914	213,679	197,704	120,614	96,116
General and administrative	145,218	121,857	100,035	71,716	47,093
Amortization of officer s deferred compensation expense			27,500		
Costs of acquisitions and development not consummated	1,475		6,874	5,223	
Total Expenses	1,069,397	917,086	850,071	583,002	448,350
Operating Income	637,865	580,897	536,723	369,159	344,073
Income applicable to Alexander s	8,580	15,574	29,653	25,718	17,363
Income from partially-owned entities	43,381	67,901	44,458	80,612	86,654
Interest and other investment income	203,995	25,397	31,678	54,385	32,809
Interest and debt expense	(241,968)	(228,860)	(232,891)	(167,430)	(164,325)
Net gain (loss) on disposition of wholly-owned and partially-owned assets other than depreciable real estate	19,775	2,343	(17,471)	(8,070)	
Minority interest:					
Perpetual preferred unit distributions	(69,108)	(72,716)	(72,500)	(70,705)	(62,089)
Minority limited partnership earnings	(88,091)	(105,132)	(64,899)	(39,138)	(38,230)
Partially-owned entities	(109)	(1,089)	(3,534)	(2,520)	(1,965)
Income from continuing operations	514,320	284,315	251,217	242,011	214,290
Income from discontinued operations	78,597	176,388	11,815	25,837	19,791
Cumulative effect of change in accounting principle			(30,129)	(4,110)	
Net income	592,917	460,703	232,903	263,738	233,991