VORNADO REALTY TRUST
Form 10-K
February 26, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

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

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

OR

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

For the transition period from **to**

Commission File Number: **1-11954**

VORNADO REALTY TRUST

(Exact name of Registrant as specified in its charter)

Maryland	**22-1657560**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
888 Seventh Avenue, New York, New York	**10019**
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

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

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

YES x NO o

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

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

YES x NO o

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

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

Large Accelerated Filer x Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company o

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

YES o NO x

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust, was $15,085,478,000 at June 30, 2007.

As of February 1, 2008, there were 153,374,257 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 15, 2008.

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(1) These items are omitted in whole or in part because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission not later than 120 days after December 31, 2007, portions of which are incorporated by reference herein. See Executive Officers of the Registrant on page 59 of this Annual Report on Form 10-K for information relating to executive officers.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as approximates, believes, expects, anticipates, estimates, intends, plans, wo other similar expressions in this Annual Report on Form 10-K. We also note the following forward-looking statements: in the case of our development projects, the estimated completion date, estimated project cost and cost to complete; and estimates of future capital expenditures, common and preferred share dividends and operating partnership distributions. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict. For further discussion of factors that could materially affect the outcome of our forward-looking statements, see Item 1A. Risk Factors in this annual report on Form 10-K.

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

PART I

ITEM 1. BUSINESS
THE COMPANY

Vornado Realty Trust is a fully-integrated real estate investment trust (REIT) and conducts its business through Vornado Realty L.P., a Delaware limited partnership (the Operating Partnership). All references to we, us, Company and Vornado refer to Vornado Realty Trust and consolidated subsidiaries, including the Operating Partnership. Vornado is the sole general partner of, and owned approximately 90.1% of the common limited partnership interest in, the Operating Partnership at December 31, 2007.

At December 31, 2007, we own directly or indirectly:

Office Properties:

(i) all or portions of 28 office properties aggregating approximately 16.0 million square feet in the New York City metropolitan area (primarily Manhattan);

(ii) all or portions of 83 office properties aggregating 17.6 million square feet in the Washington, DC and Northern Virginia areas;

(iii) a 70% controlling interest in 555 California Street, a three-building complex aggregating 1.8 million square feet in San Francisco s financial district;

Retail Properties:

(iv) 177 retail properties in 21 states, Washington, DC and Puerto Rico aggregating approximately 21.9 million square feet, including 3.6 million square feet owned by tenants on land leased from us;

Merchandise Mart Properties:

(v) 9 properties in five states and Washington, DC aggregating approximately 9.1 million square feet of showroom and office space, including the 3.3 million square foot Merchandise Mart in Chicago;

Temperature Controlled Logistics:

(vi) a 47.6% interest in Americold Realty Trust which owns and operates 90 cold storage warehouses nationwide;

Toys R Us, Inc.:

(vii) a 32.7% interest in Toys R Us, Inc. which owns and/or operates 1,352 stores worldwide, including 588 toy stores and 259 Babies R Us stores in the United States and 505 toy stores internationally;

Other Real Estate Investments:

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

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

(x) mezzanine loans to entities that have significant real estate assets; and

(xi) interests in other real estate, including interests in other public companies that own and manage office, industrial and retail properties net leased to major corporations and student and military housing properties throughout the United States; six warehouse/industrial properties in New Jersey containing approximately 1.2 million square feet; and other investments and marketable securities.

OBJECTIVES AND STRATEGY

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

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

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

ACQUISITIONS AND INVESTMENTS

During 2007, we completed $4,045,400,000 of real estate acquisitions and investments in 33 separate transactions, consisting of an aggregate of $3,024,600,000 in cash, $958,700,000 in existing mortgage debt and $62,100,000 in common or preferred Operating Partnership units. Details of the significant transactions are summarized below.

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

On January 10, 2007, we acquired the Manhattan Mall for approximately $689,000,000 in cash. This mixed-use property is located on the entire Sixth Avenue block-front between 32nd and 33rd Streets in Manhattan and contains approximately 1,000,000 square feet, including 845,000 square feet of office space and 164,000 square feet of retail space. Included as part of the acquisition were 250,000 square feet of additional air rights. The property is adjacent to our Hotel Pennsylvania.

Bruckner Plaza, Bronx, New York

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

Filene s, Boston, Massachusetts

On January 26, 2007, a joint venture in which we have a 50% interest, acquired the Filene s property located in the Downtown Crossing district of Boston, Massachusetts for approximately $100,000,000 in cash, of which our share was $50,000,000. The venture plans to redevelop the property to include approximately 1,400,000 square feet, consisting of office, retail and condominium apartments.

ACQUISITIONS AND INVESTMENTS - CONTINUED

H Street Building Corporation (H Street)

In July 2005, we acquired H Street, which owns a 50% interest in real estate assets located in Pentagon City, Virginia and Washington, DC. On April 30, 2007, we acquired the corporations that own the remaining 50% interest in these assets for approximately $383,000,000, consisting of $322,000,000 in cash and $61,000,000 of existing mortgages. These assets include twin office buildings located in Washington, DC, containing 577,000 square feet, and assets located in Pentagon City, Virginia, comprised of 34 acres of land leased to three residential and retail operators, a 1,680 unit high-rise apartment complex and 10 acres of vacant land. In conjunction with this acquisition all existing litigation was dismissed.

Further, we agreed to sell approximately 19.6 of the 34 acres of land to one of the existing ground lessees in two closings over a two-year period for approximately $220,000,000. On May 11, 2007, we closed on the sale of 11 of the 19.6 acres for $104,000,000 and received $5,000,000 in cash and a $99,000,000 note due December 31, 2007. On September 28, 2007, the buyer pre-paid the note in cash and we recognized a net gain on sale of $4,803,000. In April 2007, we received letters from the two remaining ground lessees claiming a right of first offer on the sale of the land, one of which has since retracted its letter and reserved its rights under the lease.

In connection with purchase accounting, in July 2005 and April 2007 we recorded an aggregate of $220,000,000 of deferred tax liabilities for the differences between the tax basis and the book basis of the acquired assets and liabilities. We were required to record these deferred tax liabilities because H Street and its partially owned entities were operated as C Corporations at the time they were acquired. As of February 2008, we have completed all of the actions necessary to enable these entities to elect REIT status effective for the tax year beginning on January 1, 2008. Consequently, in the first quarter of 2008, the deferred tax liabilities will be eliminated and we will recognize $220,000,000 as an income tax benefit on our consolidated statement of income.

Our total purchase price for 100% of the assets we will own, after the anticipated proceeds from the land sales, is $409,000,000, consisting of $286,000,000 in cash and $123,000,000 of existing mortgages.

1290 Avenue of the Americas and 555 California Street

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas, a 2,000,000 square foot Manhattan office building located on the block-front between 51st and 52nd Street on Avenue of the Americas, and the three- building 555 California Street complex (555 California Street) containing 1,800,000 square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco s financial district. The purchase price for our 70% interest in the real estate was approximately $1.8 billion, consisting of $1.0 billion of cash and $797,000,000 of existing debt. Our share of the debt is comprised of $308,000,000 secured by 1290 Avenue of the Americas and $489,000,000 secured by 555 California Street. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump.

In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above. Mr. Trump s claims arose out of a dispute over the sale price of, and use of proceeds from, the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions dated September 14, 2005 and July 24, 2006, the Court denied various of Mr. Trump s motions and ultimately dismissed all of Mr. Trump s claims, except for his claim seeking access to books and records. In a decision dated October 1, 2007, the Court determined that Mr. Trump had already received access to the books and records to which he was entitled, with the exception of certain documents which were

subsequently delivered to Mr. Trump. Mr. Trump has sought re-argument and renewal on, and filed a notice of appeal in connection with, his dismissed claims.

In connection with the acquisition, we agreed to indemnify the sellers for liabilities and expenses arising out of Mr. Trump s claim that the general partners of the partnerships we acquired did not sell the rail yards at a fair price or could have sold the rail yards for a greater price and any other claims asserted in the legal action; provided however, that if Mr. Trump prevails on certain claims involving partnership matters, other than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims. We believe that the claims relating to the sale price are without merit. All other allegations are not asserted as a basis for damages and regardless of merit would not be material to our consolidated financial statements.

ACQUISITIONS AND INVESTMENTS - CONTINUED

India Property Fund L.P.

On June 14, 2007, we committed to contribute $95,000,000 to the India Property Fund, L.P. (the Fund), established to acquire, manage and develop real estate in India. In addition, we sold our interest in another India real estate partnership to the Fund for $77,000,000 and deferred the $3,700,000 net gain on sale. On December 20, 2007, we increased our commitment to the Fund by $20,000,000. As of December 31, 2007, the Fund has equity commitments aggregating $227,500,000, of which our $115,000,000 commitment represents 50.6%. In January 2008, the Fund completed capital calls aggregating $50,400,000, of which our share was $25,500,000.

Shopping Center Portfolio Acquisition

On June 26, 2007, we entered into an agreement to acquire a portfolio of 15 shopping centers aggregating approximately 1.9 million square feet for an aggregate purchase price of $351,000,000. The properties are located primarily in Northern New Jersey and Long Island, New York. We have completed the acquisition of nine of these properties for an aggregate purchase price of $250,478,000 consisting of $109,279,000 in cash, $49,599,000 in Vornado Realty L.P. preferred units, $12,460,000 of Vornado Realty L.P. common units and $79,140,000 of existing mortgage debt. We have determined not to complete the acquisition of the remaining six properties and have expensed $2,700,000 for costs of acquisitions not consummated on our consolidated statement of income for the year ended December 31, 2007.

BNA Complex

On August 9, 2007, we acquired a three building complex from The Bureau of National Affairs, Inc. (BNA) for $111,000,000 in cash. The complex contains approximately 300,000 square feet and is located in Washington s West End between Georgetown and the Central Business District. We plan to convert two of these buildings to rental apartments. Simultaneously with the acquisition, we sold Crystal Mall Two, a 277,000 square foot office building located at 1801 South Bell Street in Crystal City, to BNA for $103,600,000 in cash, which resulted in a net gain of $19,893,000.

INVESTMENTS IN MEZZANINE LOANS

At December 31, 2007, the carrying amount of our investments in mezzanine loans aggregated $492,339,000, net of a $57,000,000 allowance described below. Substantially all of these investments are loans to companies that have significant real estate assets. Mezzanine loans are generally subordinate to first mortgage loans and are secured by pledges of equity interests of the entities owning the underlying real estate. During 2007 we were repaid principal amounts aggregating $241,000,000 and we made new investments aggregating $217,000,000. As of December 31, 2007, these investments have a weighted average interest rate of 9.7%.

On June 5, 2007, we acquired a 42% interest in two MPH mezzanine loans totaling $158,700,000, for $66,000,000 in cash. The loans, which were due on February 8, 2008 and have not been repaid, are subordinate to $2.9 billion of mortgage and other debt and secured by the equity interests in four New York City properties: Worldwide Plaza, 1540 Broadway office condominium, 527 Madison Avenue and Tower 56. We have reduced the net carrying amount of the loans to $9,000,000, by recognizing a $57,000,000 non-cash charge which is included as a reduction of interest and other investment income on our consolidated statement of income for the year ended December 31, 2007.

OTHER INVESTMENTS

GMH Communities L.P. (GMH)

At December 31, 2007, we own 7,337,857 GMH Communities L.P. (GMH) limited partnership units, which are exchangeable on a one-for-one basis into common shares of GMH Communities Trust (NYSE: GCT) (GCT), and 2,517,247 common shares of GCT, or 13.8% of the limited partnership interest of GMH. GMH is a self-advised, self-managed, specialty housing company that focuses on providing housing to college and university students residing off-campus and to members of the U.S. military and their families located on or near military bases throughout the United States.

On February 12, 2008, GCT announced that it has entered into two definitive agreements in connection with the sale of its military and student housing divisions for an aggregate sales price of approximately $9.61 per share/unit. In addition, GCT anticipates selling its remaining assets prior to the closing of the merger. The merger, which has been unanimously approved by GCT s Board of Trustees, is subject to GCT shareholder approval and customary closing conditions.

As of December 31, 2007, the fair value of our investment in GMH and GCT based on GCT s December 31, 2007 closing share price of $5.52, was $54,400,000, or $48,860,000 below the carrying amount of $10.48 per share/unit on our consolidated balance sheet. We have concluded that as of December 31, 2007, the decline in the value of our investment is not other-than-temporary, based on the aggregate value anticipated to be received as a result of the transactions described above, including the additional consideration from the sale of GCT s remaining assets.

DISPOSITIONS

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

In July 2005 we acquired 858,000 McDonalds common shares at a weighted average price of $29.54 per share. These shares were classified as available-for-sale marketable equity securities on our consolidated balance sheet and the fluctuations in the market value of these shares during the period of our ownership was recorded as other comprehensive income in the shareholders equity section of our consolidated balance sheet. During October 2007, we sold all of these shares at a weighted average price of $56.45 per share and recognized a net gain of $23,090,000, representing accumulated appreciation during the period of our ownership.

During the second half of 2005, we acquired an economic interest in an additional 14,565,500 McDonalds common shares through a series of privately negotiated transactions with a financial institution pursuant to which we purchased a call option and simultaneously sold a put option at the same strike price on McDonalds common shares. These call and put options had an initial weighted-average strike price of $32.66 per share, or an aggregate of $475,692,000 and provided for net cash settlement. Under these agreements, the strike price for each pair of options increased at an annual rate of LIBOR plus 45 basis points and was decreased for dividends received. The options provided us with the same economic gain or loss as if we had purchased the underlying common shares and borrowed the aggregate purchase price at an annual rate of LIBOR plus 45 basis points. Because these options were derivatives and did 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 were recognized as investment income or loss on our consolidated statements of income. In 2006, we sold 2,119,500 of these shares at a weighted average price of $35.49 per share, and acquired an additional 1,250,000 option shares at a weighted average price of $33.08 per share. As of December 31, 2006, there were 13,695,500 option shares in the derivative position with an adjusted weighted average strike price of $32.70 per share. During August, September and October 2007, we settled the 13,695,500 option shares and received an aggregate of $260,719,000 in cash. During the years ended December 31, 2007, 2006 and 2005, we recognized net gains of $108,821,000, $138,815,000 and $17,254,000, respectively, representing income from the mark-to-market of these

shares during the period of our ownership through their settlement, net of related LIBOR charges.

The aggregate net gain from inception of our investments in McDonalds in 2005 through final settlement in October 2007 was $289,414,000.

Property Sales

During 2007, we sold three properties (Crystal Mall Two, Arlington Plaza and the Vineland, New Jersey shopping center property) in three separate transactions for an aggregate sales price of $177,874,000 in cash, which resulted in an aggregate net gain of $55,501,000.

DEVELOPMENT AND REDEVELOPMENT PROJECTS

We are currently engaged in various development/redevelopment projects for which we have budgeted approximately $1.977 billion. Of this amount, $214.9 million was expended prior to 2007, $401.6 million was expended in 2007 and $719.6 million is estimated to be expended in 2008. Below is a description of these projects.

	Our Share of			
($ in millions)	Estimated Completion Date	Estimated Project Cost	Costs Expended in Year Ended December 31, 2007	Estimated Cost to Complete
In Progress:				
New York Office:				
Harlem Park Ground-up Development (40% interest) construction of a 660,000 square foot office building at 125th Street and Park Avenue	2011	$166.0	$16.5	$137.3
Other 4 projects	2009-2010	81.0	13.8	66.7
Washington, DC Office:				
West End 25 redevelopment of former BNA office space to residential apartments	2009	180.0	76.9	102.5
1999 K Street office building - demolition of existing 149,000 square foot building and construction of 250,000 square foot office building	2009	166.0	11.8	93.4
800 17th Street Ground-up Development (49% interest) construction of a 360,000 square foot office building	2010	124.0	30.7	93.3
220-20th Street redevelopment of Crystal Plaza Two office space to residential apartments	2009	100.0	7.1	83.5
2101 L Street office building complete rehabilitation of existing building including new curtain wall, mechanical systems and lobbies	2008	87.0	47.4	28.5
Retail:				
Downtown Crossing (50% interest) redevelopment of the Filene s property, downtown Boston, to include approximately 1,400,000 square feet of retail, office, condominium apartments and hotel	2010	337.0	56.8	275.0
Bergen Town Center interior and exterior renovation of existing space, demolition of 300,000 square feet and construction of 640,000 square feet of retail space and a parking deck	2008	223.0	36.7	152.3
North Bergen, New Jersey Ground-up Development acquisition of land and construction of 90,000 square feet of retail space and site work for BJ s Wholesale Club and Wal-Mart who will construct their own stores	2009	73.0	21.4	23.2
San Jose, California Ground-up Development (45% interest) acquisition of land and construction of 350,000 square feet of retail space and site work for Home Depot and Target who will construct their own stores	2008	70.0	28.2	15.9
Manhattan Mall redevelopment and renovation of existing mall, including construction of new JC Penney store	2008	63.0	13.4	49.6
South Hills Mall conversion of existing mall into a 575,000 square foot strip shopping center	2009	48.0	2.4	43.9
Beverly Connection (50% interest) interior and exterior renovations	2009	42.0	6.4	15.0
Gun Hill Road redevelopment of existing shopping center	2008	31.0	3.9	6.8
Broome & Broadway redevelopment and renovation of retail and residential space	2009	29.0	7.1	21.4
Garfield redevelopment of existing warehouse site into a 325,000 square foot strip shopping center	2009	28.0	1.9	24.1

Strip shopping centers and malls redevelopment of 14 properties	2009	70.0	7.5	59.7
Other:				
40 East 66th Street conversion of 27 rental apartments into residential condominiums	2008	59.0	11.7	46.2
		$1,977.0	$401.6	$1,338.3

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DEVELOPMENT AND REDEVELOPMENT PROJECTS - CONTINUED

On July 19, 2005 a joint venture in which we have a 50% interest entered into a Memorandum of Understanding and has been designated as the developer to convert the Farley Post Office in Manhattan, which occupies the super block between 31st and 33rd Streets from 8th to 9th Avenues, into the Moynihan Train Station. The plans for the Moynihan Train Station project include 300,000 square feet for a new transportation facility to be financed with public funding, as well as 850,000 square feet of commercial space and up to 1.0 million square feet of air rights intended to be transferred to an adjacent site. The venture endeavors to expand the plans to incorporate the adjacent super block to the east, relocating Madison Square Garden from its present site above Penn Station to the west end of the Farley Complex, permitting it to develop 5.5 million square feet of mixed use space on the old Madison Square Garden site and incorporate our existing 1.5 million square foot Two Penn Plaza into a 7.0 million square foot complex. In March 2007, New York s Empire State Development Corporation (the ESDC) acquired the Farley building from the United States Postal Service. In October 2007, the ESDC issued a Draft Scope of Work in connection with the preparation of a Supplemental Environmental Impact Statement describing the expanded development plan and proposing a zoning sub-district which would enable the venture to transfer the air rights under the original plans or the expanded plans to other locations within the Penn Plaza area. In addition, the Draft Scope of Work describes the public approvals and public actions necessary to implement either the original or expanded plans.

On December 4, 2007 a joint venture in which we are the 80% controlling and development partner was selected as the developer of the north wing of the Port Authority Bus Terminal at 42nd Street and Eighth Avenue in Manhattan. The joint venture intends to enter into a 99 year lease with the Port Authority to create approximately 60,000 square feet of retail space and develop a 1.3 million square foot office tower. The Port Authority also intends to renovate and modernize the bus terminal. The parties are also discussing the redevelopment of the south wing of the terminal.

We are evaluating other development opportunities, for which final plans and budgeted costs have yet to be determined, including: (i) redevelopment plans for the Hotel Pennsylvania, (ii) redeveloping certain shopping malls, including the Green Acres and Springfield Malls, (iii) redeveloping and expanding retail space and signage in the Penn Plaza area, (iv) conversion of 220 Central Park South, a residential apartment building, to condominiums and (v) other projects.

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

FINANCING ACTIVITIES

On March 21, 2007, we sold $1.4 billion aggregate principal amount of 2.85% convertible senior debentures due 2027, pursuant to an effective registration statement. The aggregate net proceeds from this offering, after underwriters discounts and expenses, were approximately $1.37 billion. The debentures are redeemable at our option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures in 2012, 2017, and 2022 and in certain other limited circumstances. The debentures are convertible, under certain circumstances, for cash and Vornado common shares at an initial conversion rate of 6.1553 common shares per $1,000 of principal amount of debentures. The initial conversion price was $162.46, which represented a premium of 30% over the March 21, 2007 closing price for our common shares. The principal amount of debentures will be settled for cash and the amount in excess of the principal defined as the conversion value will be settled in cash or, at our election, Vornado common shares.

On September 28, 2007, the Operating Partnership entered into a new $1.510 billion unsecured revolving credit facility, which was increased by $85,000,000 on October 12, 2007 and can be increased to up to $2.0 billion during the initial term. The new facility has a three-year term with two one-year extension options, bears interest at LIBOR plus 55 basis points (5.43% at December 31, 2007), based on our current credit ratings and requires the payment of an annual facility fee of 15 basis points. Together with the existing $1.0 billion credit facility, the Operating Partnership has an aggregate of $2.595 billion of unsecured revolving credit. Vornado is the guarantor of the Operating Partnership s obligations under both revolving credit agreements. The existing $1.0 billion credit facility s financial covenants have been modified to conform to the financial covenants under the new agreement. Significant modifications include (i) changing the definition of Capitalization Value to exclude corporate unallocated general and administrative expenses and to reduce the capitalization rate to 6.5% from 7.5%, and (ii) changing the definition of Total Outstanding Indebtedness to exclude indebtedness of unconsolidated joint ventures. Under the new agreement, Equity Value may not be less than Three Billion Dollars; Total Outstanding Indebtedness may not exceed sixty percent (60%) of Capitalization Value; the ratio of Combined EBITDA to Fixed Charges, each measured as of the most recently ended calendar quarter, may not be less than 1.40 to 1.00; the ratio of Unencumbered Combined EBITDA to Unsecured Interest Expense, each measured as of the most recently ended calendar quarter, may not be less than 1.50 to 1.00; at any time, Unsecured Indebtedness may not exceed sixty percent (60%) of Capitalization Value of Unencumbered Assets; and the ratio of Secured Indebtedness to Capitalization Value, each measured as of the most recently ended calendar quarter, may not exceed fifty percent (50%). The new agreement also contains standard representations and warranties and other covenants. The terms in quotations in this paragraph are all defined in the new agreement, which was filed as an exhibit to our Current Report on Form 8-K dated September 28, 2007, filed on October 4, 2007.

In addition to the above, during 2007 we completed approximately $1.111 billion of property level financings and repaid approximately $412,674,000 of existing debt with a portion of the proceeds.

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

SEASONALITY

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

TENANTS ACCOUNTING FOR OVER 10% OF REVENUES

None of our tenants represented more than 10% of total revenues for the years ended December 31, 2007 and 2006.

CERTAIN ACTIVITIES

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

EMPLOYEES

As of December 31, 2007, we have approximately 4,020 employees, of which 311 are corporate staff. The New York Office Properties segment has 128 employees and an additional 2,021 employees of Building Maintenance Services LLC, a wholly owned subsidiary. The Washington, DC Office Properties, Retail Properties and Merchandise Mart Properties segments have 232, 200 and 559 employees, respectively, and the Hotel Pennsylvania has 569 employees. The forgoing does not include employees of partially owned entities, including Americold Realty Trust, Toys or Alexander s, in which we own 47.6%, 32.7% and 32.8%, respectively.

SEGMENT DATA

We operate in the following business segments: New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties, Temperature Controlled Logistics and Toys. Financial information related to our business segments for the years 2007, 2006 and 2005 is set forth in Note 20 Segment Information to our consolidated financial statements in this annual report on Form 10-K. The Merchandise Mart Properties segment has trade show operations in Canada and Switzerland. The Temperature Controlled Logistics segment manages one warehouse in Canada. The Toys segment operates in 505 locations internationally. In addition, we have one partially owned consolidated investment and three partially owned nonconsolidated investments in real estate partnerships located in India, which are included in the Other segment.

PRINCIPAL EXECUTIVE OFFICES

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

MATERIALS AVAILABLE ON OUR WEBSITE

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

ITEM 1A. RISK FACTORS

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

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

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

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

- national, regional and local economic conditions;
- consequences of any armed conflict involving, or terrorist attack against, the United States;
- our ability to secure adequate insurance;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- competition from other available space;
- whether tenants and users such as customers and shoppers consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- whether we are able to pass some or all of any increased operating costs through to tenants;
- how well we manage our properties;
- fluctuations in interest rates;
- changes in real estate taxes and other expenses;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- changes in taxation or zoning laws;
- government regulation;
- 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 and/or occupancy levels 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.

Real estate is a competitive business.

Our business segments Office, Retail, Merchandise Mart Properties, Temperature Controlled Logistics, Toys R Us and Other operate in highly competitive environments. We have a large concentration of properties in the New York City metropolitan area and in the Washington, DC and Northern Virginia areas. We compete with a large number of real estate property owners and developers, some of which may be willing to

accept lower returns on their investments. Principal factors of competition are rent charged, attractiveness of location, the quality of the property and breadth and quality of services provided. Our success depends upon, among other factors, trends of the national, regional and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends.

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

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

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

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

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

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

We may incur costs to comply with environmental laws.

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

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

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

We carry commercial liability and all risk property insurance ((i) fire, (ii) flood, (iii) extended coverage, (iv) acts of terrorism as defined in the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), which expires in December 2014, and (v) rental loss insurance) with respect to our assets. Our New York Office, Washington, DC Office, Retail and Merchandise Mart divisions have $1.5 billion of per occurrence all risk property insurance coverage, including terrorism coverage, in effect through September 15, 2008. AmeriCold has $250,000,000 of per occurrence all risk property insurance coverage, including terrorism coverage, in effect through January 1, 2009. Our California properties have earthquake insurance with coverage of $150,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, and a $150,000,000 annual aggregate limit.

In June 2007 we formed Penn Plaza Insurance Company, LLC (PPIC), a wholly owned consolidated subsidiary, to act as a re-insurer with respect to a portion of our earthquake insurance coverage and as a direct insurer for coverage for certified acts of terrorism and for nuclear, biological, chemical and radiological (NBCR) acts, as defined by TRIPRA. Coverage for certified acts of terrorism is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Prior to the formation of PPIC, we were uninsured for losses under NBCR coverage. Subsequently, we have $1.5 billion of NBCR coverage under TRIPRA, for which PPIC is responsible for 15% of each NBCR loss and the insurance company deductible of $1,000,000. We are ultimately responsible for any loss borne by PPIC.

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

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

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

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

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

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

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

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

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

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

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

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

During 2007, approximately 71% of our EBITDA, excluding items that affect comparability, came from properties located in the New York City and Washington, DC metropolitan areas and in New Jersey. In addition, we may continue to concentrate a significant portion of our future acquisitions in these metropolitan areas or in other geographic real estate markets in the United States or abroad. Real estate markets are subject to economic downturns, as they have in the past, and we cannot predict how economic conditions will impact these markets in both the short and long term. Declines in the economy or a decline in the real estate markets in these areas could hurt our financial performance and the value of our properties. The factors affecting economic conditions in these regions include:

- space needs of the United States Government, including the effect of base closures and repositioning under the Defense Base Closure and Realignment Act of 2005, as amended;
- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries;
- infrastructure quality; and
- any oversupply of, or reduced demand for, real estate.

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

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

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

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

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

We have experienced rapid growth in recent years, increasing our total assets from approximately $565 million at December 31, 1997 to approximately $22.5 billion at December 31, 2007. We may not be able to maintain a similar rate of growth in the future or manage our growth effectively. Our failure to do so may have a material adverse effect on our financial condition and results of operations and ability to pay dividends to our shareholders.

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

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

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

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

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

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

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

As part of an acquisition of a property, including our January 1, 2002 acquisition of Charles E. Smith Commercial Realty L.P. s 13.0 million square foot portfolio, we may agree, and in the case of Charles E. Smith Commercial Realty L.P. did agree, with the seller that we will not dispose of the acquired properties or reduce the mortgage indebtedness on them for 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.

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

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

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

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

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

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

We depend upon our anchor tenants to attract shoppers.

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

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

On July 21, 2005, a joint venture that we own equally with Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys R Us, Inc. (Toys). Because Toys is a retailer, its operations subject us to the risks of a retail company that are different than those presented by our other lines of business. The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. In addition, our fiscal year ends on December 31 whereas, as is common for retailers, Toys fiscal year ends on the Saturday nearest to January 31. Therefore, we record our pro-rata share of Toys net earnings on a one quarter-lag basis. For example, our financial results for the year ended December 31, 2007 include Toys financial results for its first, second and third quarters ended October 28, 2006, as well as Toys fourth quarter results of 2005. Because of the seasonality of Toys, our reported net income will likely show increased volatility. We may also, in the future and from time to time, invest in other businesses that may report financial results that are more volatile than our historical financial results.

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

We invest, and may in the future invest, in subordinated or mezzanine debt of certain entities that have significant real estate assets. As of December 31, 2007, our mezzanine debt securities have an aggregate carrying amount of $492,339,000. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. These investments involve greater risk of loss than investments in senior mortgage loans which are secured by real property. If a borrower defaults on debt to us or on debt senior to us, or declares bankruptcy, we may not be able to recover some or all of our investment. The value of the assets securing or supporting our investments could deteriorate over time due to factors beyond our control, including acts or omissions by owners, changes in business, economic or market conditions, or foreclosure. Such deteriorations in value may result in the recognition of impairment losses on our statement of operations. In addition, there may be significant delays and costs associated with the process of foreclosing on collateral securing or supporting our investments.

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

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

We invest, and may in the future invest, in marketable equity securities of publicly-traded real estate companies or companies that have significant real estate assets. As of December 31, 2007, our marketable securities have an aggregate carrying amount of $323,106,000. Significant declines in the value of these investments due to operating performance or economic or market conditions may result in the recognition of impairment losses on our statement of operations.

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

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

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

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

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

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

Furthermore, the holders of preferred units of the Operating Partnership are entitled to receive preferred distributions before payment of distributions to holders of common units of the Operating Partnership, including Vornado Realty Trust. Thus, Vornado Realty Trust s ability to pay dividends to holders of its shares and satisfy its debt obligations depends on the Operating Partnership s ability first to satisfy its obligations to its creditors and make distributions payable to holders of preferred units and then to make distributions to Vornado Realty Trust. As of December 31, 2007, there were nine series of preferred units of the Operating Partnership not held by Vornado Realty Trust that have preference over Vornado Realty Trust common shares with a total liquidation value of $399,347,000.

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

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

As of December 31, 2007, we had approximately $12.952 billion of total debt outstanding, including our pro rata share of debt of partially owned entities. Our ratio of total debt to total enterprise value was approximately 47%. When we say enterprise value in the preceding sentence, we mean market equity value of Vornado Realty Trust s common and preferred shares plus total debt outstanding, including our pro rata share of debt of partially owned entities. In the future, we may incur additional debt, and thus increase our ratio of total debt to total enterprise value, to finance acquisitions or property developments. If our level of indebtedness increases, there may be an increased risk of a credit rating downgrade or a default on our obligations that could adversely affect our financial condition and results of operations. In addition, in a rising interest rate environment, the cost of our existing variable rate debt and any new debt or other market rate security or instrument may increase.

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

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

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

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

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

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

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

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

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

We are dependent on the efforts of Steven Roth, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado Realty Trust, and Michael D. Fascitelli, the President of Vornado Realty Trust. While we believe that we could find replacements for these key personnel, the

loss of their services could harm our operations and adversely affect the value of our common shares.

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

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

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

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

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

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

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

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

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

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

Under the Maryland General Corporation Law, as amended, which we refer to as the MGCL, as applicable to real estate investment trusts, certain business combinations, including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland real estate investment trust and any person who beneficially owns ten percent or more of the voting power of the trust s shares or an affiliate or an associate, as defined in the MGCL, of the trust who, at any time within the two-year period before the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of

beneficial interest of the trust, which we refer to as an interested shareholder, or an affiliate of the interested shareholder, are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. After that five-year period, any business combination of these kinds must be recommended by the board of trustees of the trust and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding shares of beneficial interest of the trust and (b) two-thirds of the votes entitled to be cast by holders of voting shares of the trust other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected, unless, among other conditions, the trust s common shareholders receive a minimum price, as defined in the MGCL, for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares.

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

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

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

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

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

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

As of December 31, 2007, Interstate Properties, a New Jersey general partnership, and its partners owned approximately 8.3% of the common shares of Vornado Realty Trust and approximately 27.2% of the common stock of Alexander s, Inc. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, the managing general partner of Interstate Properties and the Chairman of the Board and Chief Executive Officer of Alexander s. Messrs. Wight and Mandelbaum are trustees of Vornado Realty Trust and also directors of Alexander s.

As of December 31, 2007, the Operating Partnership owned 32.8% of the outstanding common stock of Alexander s. Alexander s is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander s has seven properties, which are located in the New York City metropolitan area. Mr. Roth and Mr. Fascitelli, the President and a trustee of Vornado Realty Trust, are directors of Alexander s. Messrs. Mandelbaum, West and Wight are trustees of Vornado Realty Trust and are directors of Alexander s.

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

Vornado Realty Trust currently manages and leases the real estate assets of Interstate Properties under a management agreement for which it receives an annual fee equal to 4% of base rent and percentage rent and certain other commissions. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on 60 days notice at the end of the term. Vornado Realty Trust earned $800,000, $798,000, and $791,000 of management fees under the management agreement for the years ended December 31, 2007, 2006 and 2005. Because of the relationship among Vornado Realty Trust, Interstate Properties and Messrs. Roth, Mandelbaum and Wight, as described above, the terms of the management agreement and any future agreements between Vornado Realty Trust and Interstate Properties may not be comparable to those Vornado Realty Trust could have negotiated with an unaffiliated third party.

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

As of December 31, 2007, the Operating Partnership owned 32.8% of the outstanding common stock of Alexander s. Alexander s is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander s has seven properties. Interstate Properties, which is described above, and its partners owned an additional 27.2% of the outstanding common stock of Alexander s, as of December 31, 2007. Mr. Roth, Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, is Chief Executive Officer, a director of Alexander s and managing general partner of Interstate, and Mr. Fascitelli, President and a trustee of Vornado Realty Trust, is President and a director of Alexander s. Messrs. Mandelbaum, West and Wight, trustees of us, are also directors of Alexander s and general partners of Interstate. Alexander s common stock is listed on the New York Stock Exchange under the symbol ALX.

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

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

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

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

As of December 31, 2007, we had authorized but unissued, 96,923,394 common shares of beneficial interest, $.04 par value, and 76,016,023 preferred shares of beneficial interest, no par value, of which 68,016,023 preferred shares have not been reserved and remain available for issuance as a newly-designated class of preferred. We may issue these authorized but unissued shares from time to time in public or private offerings or in connection with acquisitions.

In addition, as of December 31, 2007, 14,556,397 common shares were reserved for issuance upon redemption of Operating Partnership common units. Some of these shares may be sold in the public market after registration under the Securities Act under registration rights agreements between Vornado Realty Trust and some holders of common units of the Operating Partnership. These shares may also be sold in the public market under Rule 144 under the Securities Act or other available exemptions from registration. In addition, we have reserved a number of common shares for issuance under employee benefit plans, and these common shares will be available for sale from time to time. We have awarded shares of restricted stock and granted options to purchase additional common shares to some of our executive officers and employees. Of the authorized but unissued common and preferred shares above, 51,052,118 common and 8,000,000 preferred shares, in the aggregate, were reserved for issuance upon the redemption of Operating Partnership units, conversion of outstanding convertible securities, under benefit plans or for other activity not directly under our control.

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 2. PROPERTIES

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

NEW YORK OFFICE PROPERTIES

Our New York Office Properties segment contains 16.0 million square feet, including 15.0 million square feet of office space, 851,000 square feet of retail space and 183,000 square feet of showroom space. In addition, the New York Office Properties contain six garages totaling 368,000 square feet (1,739 spaces) which are managed by or leased to third parties. The garage space is excluded from the statistics provided in this section.

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

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot (excluding retail space)
2007	15,994,000	97.6%	$ 49.34
2006	13,692,000	97.5%	46.33
2005	12,972,000	96.0%	43.67
2004	12,989,000	95.5%	42.22
2003	12,829,000	95.1%	40.68

2007 New York Office Properties rental revenue by tenants industry:

Industry	Percentage
Retail	15%
Finance	8%
Publishing	7%
Government	7%
Banking	7%
Legal	6%
Communications	5%
Insurance	5%
Technology	4%
Pharmaceuticals	4%
Real Estate	3%
Service Contractors	3%
Not-for-Profit	3%
Engineering	2%
Advertising	1%
Health Services	1%
Other	19%
	100%

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

NEW YORK OFFICE PROPERTIES - CONTINUED

Tenants accounting for 2% or more of 2007 New York Office Properties total revenues:

Tenant	Square Feet Leased	2007 Revenues	Percentage of New York City Office Revenues	Percentage of Total Company Revenues
AXA Equitable Life Insurance (AXA) (1)	815,000	$ 30,450,000	3.3%	0.9%
Limited Brands	382,000	28,844,000	3.1%	0.9%
The McGraw-Hill Companies, Inc.	536,000	23,645,000	2.6%	0.7%
Macy s, Inc.	476,000	24,004,000	2.6%	0.7%
VNU Inc.	372,000	18,788,000	2.0%	0.6%

(1) On December 28, 2007, AXA s lease agreement was modified, pursuant to which AXA will surrender approximately 400,000 square feet in the first quarter of 2009 and extend their lease for the remaining space (included in leasing activity below) which was scheduled to expire in 2011 to 2023.

2007 New York Office Leasing Activity:

Location	Square Feet	Average Initial Rent Per Square Foot (1)
1290 Avenue of the Americas	452,000	$ 84.07
One Penn Plaza	239,000	63.87
770 Broadway	152,000	69.00
Eleven Penn Plaza	135,000	56.31
888 Seventh Avenue	112,000	107.01
350 Park Avenue	101,000	106.42
Two Penn Plaza	74,000	59.00
57th Street	46,000	46.56
595 Madison	39,000	66.38
40 Fulton Street	39,000	44.11
150 East 58th Street	37,000	65.66
90 Park Avenue	35,000	79.41
330 Madison Avenue	35,000	47.99
866 U.N. Plaza	32,000	49.33
330 West 34th Street	31,000	53.26
640 Fifth Avenue	28,000	94.50
909 Third Avenue	20,000	65.00
1740 Broadway	16,000	67.52
20 Broad Street	7,000	35.25
Total	1,630,000	73.80
Vornado s Ownership Interest	1,445,000	73.74

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

In addition to the office space noted above, in 2007 we leased 24,000 square feet of retail space contained in the above office buildings at a weighted average initial rent of $217.90 per square foot.

NEW YORK OFFICE PROPERTIES - CONTINUED

Lease expirations as of December 31, 2007 assuming none of the tenants exercise renewal options:

Office Space:			Percentage of	Annual Escalated Rent of Expiring Leases	
			New York		Per
	Number of	Square Feet of	Office		Square
Year	**Expiring Leases**	**Expiring Leases**	**Square Feet**	**Total**	**Foot**
Office Space:					
Month to month	71	143,000	0.9%	$6,249,000	$ 43.70
2008	80	642,000 (1)	4.0%	30,637,000	47.72
2009	150	910,000	5.7%	45,678,000	50.20
2010	110	1,384,000	8.7%	64,788,000	46.81
2011	66	1,321,000	8.3%	67,486,000	51.09
2012	77	1,603,000	10.0%	77,708,000	48.48
2013	32	749,000	4.7%	29,358,000	39.20
2014	49	573,000	3.6%	29,032,000	50.67
2015	47	2,078,000	13.0%	105,956,000	50.99
2016	39	899,000	5.6%	42,705,000	47.50
2017	32	847,000	5.3%	51,690,000	61.03
Retail Space (contained in office buildings)					
Month to month	4	20,000	0.1%	689,000	34.45
2008	10	38,000	0.2%	4,010,000	105.53
2009	5	19,000	0.1%	3,378,000	177.79
2010	7	12,000	0.1%	1,217,000	101.42
2011	5	21,000	0.1%	1,060,000	50.48
2012	9	59,000	0.4%	5,414,000	91.76
2013	11	40,000	0.3%	4,404,000	110.10
2014	8	68,000	0.4%	13,666,000	200.97
2015	9	32,000	0.2%	6,536,000	204.25
2016	4	319,000	2.0%	16,202,000	50.79
2017	3	39,000	0.2%	2,699,000	69.21

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(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 $9.97 per square foot.

NEW YORK OFFICE PROPERTIES - CONTINUED

New York Office Properties owned by us as of December 31, 2007:

Location	Approximate Leasable Building Square Feet	Percent Leased	Encumbrances (in thousands)
NEW YORK (Manhattan)			
Penn Plaza:			
One Penn Plaza (ground leased through 2098)	2,407,000	98.1%	$
Two Penn Plaza	1,562,000	98.1%	292,000
Eleven Penn Plaza	1,049,000	96.1%	210,338
100 West 33rd Street	845,000	94.2%	159,361
330 West 34th Street (ground leased through 2148)	637,000	99.6%	
	6,500,000	97.4%	661,699
Rockefeller Center:			
1290 Avenue of the Americas	2,004,000	99.9%	454,166
East Side:			
909 Third Avenue (ground leased through 2063)	1,315,000	100.0%	217,266
150 East 58th Street	529,000	96.5%	
	1,844,000	99.0%	217,266
West Side:			
888 Seventh Avenue (ground leased through 2067)	849,000	97.7%	318,554
1740 Broadway	597,000	99.4%	
57th Street (50% interest)	188,000	97.8%	29,000
825 Seventh Avenue (50% interest)	165,000	100.0%	21,808
	1,799,000	98.5%	369,362
Grand Central:			
90 Park Avenue	893,000	98.7%	
330 Madison Avenue (25% interest)	789,000	97.9%	60,000
	1,682,000	98.3%	60,000
Midtown South:			
770 Broadway	1,055,000	99.8%	353,000
Downtown:			
20 Broad Street (ground leased through 2081)	468,000	85.8%	
40 Fulton Street	242,000	100.0%	
40-42 Thompson Street	28,000	100.0%	
	738,000	91.0%	
Madison/Fifth:			
640 Fifth Avenue	321,000	82.4%	
595 Madison Avenue	312,000	97.4%	
689 Fifth Avenue	87,000	98.9%	
	720,000	90.9%	
Park Avenue:			
350 Park Avenue	540,000	99.3%	430,000
United Nations:			
866 United Nations Plaza	352,000	94.8%	44,978
Total New York	17,234,000	97.7%	2,590,471
NEW JERSEY			
Paramus	129,000	97.7%	
Total New York Office Properties	**17,363,000**	**97.7%**	**$ 2,590,471**
Vornado s Ownership Interest	**15,994,000**	**97.6%**	**$ 2,388,797**

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WASHINGTON, DC OFFICE PROPERTIES

As of December 31, 2007, we own 83 properties aggregating 17.6 million square feet in the Washington, DC and Northern Virginia area including of 72 office buildings, 7 residential properties and a hotel property. As of December 31, 2007, three buildings are out of service for redevelopment. We manage an additional 5.3 million square feet of office and other commercial properties. In addition, the Washington, DC Office Properties portfolio includes 49 garages totaling approximately 9.3 million square feet (29,000 spaces) which are managed by or leased to third parties. The garage space is excluded from the statistics provided in this section.

As of December 31, 2007, 24% percent of the space in the Washington, DC Office Properties portfolio is leased to various agencies of the U.S. government.

Occupancy and average annual escalated rent per square foot:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2007	17,565,000	93.2%	$ 34.98
2006	18,015,000	91.7%	31.90
2005	17,727,000	91.0%	31.49
2004	14,216,000	91.4%	30.06
2003	13,963,000	93.9%	29.64

2007 rental revenue by tenants industry:

Industry	Percentage
U.S. Government	32%
Government Contractors	30%
Legal Services	9%
Communication	4%
Membership Organizations	4%
Manufacturing	3%
Real Estate	2%
Computer and Data Processing	2%
Health Services	1%
Business Services	1%
Television Services	1%
Education	1%
Other	10%
	100%

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

WASHINGTON, DC OFFICE PROPERTIES - CONTINUED

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

Tenant	Square Feet Leased	2007 Revenues	Percentage of Washington, DC Office Revenues	Percentage of Total Company Revenues
U.S. Government (103 separate leases)	4,377,000	$ 131,579,000	23.6%	4.0%
Howrey LLP	323,000	19,615,000	3.5%	0.6%
TKC Communications	309,000	12,230,000	2.2%	0.4%
SAIC, Inc.	440,000	12,095,000	2.2%	0.4%

2007 Washington, DC Leasing Activity:

Location	Square Feet	Average Initial Rent Per Square Foot (1)
Crystal City:		
Crystal Mall	296,000	$ 31.87
Crystal Gateway	261,000	35.60
Crystal Park	237,000	35.58
Crystal Square	164,000	35.12
Crystal Plaza	87,000	30.32
Total Crystal City	1,045,000	34.02
Skyline Place	515,000	30.16
1999 K Street under development	243,000	76.50
2101 L Street	115,000	57.23
Courthouse Plaza	100,000	35.56
Tysons Dulles Plaza	76,000	33.36
Commerce Executive	69,000	30.78
Reston Executive	68,000	30.54
Democracy Plaza	48,000	35.51
1101 17th Street	43,000	39.88
Warner Building 1299 Pennsylvania Avenue	40,000	57.91
1730 M Street	31,000	37.89
1750 Pennsylvania Avenue	29,000	37.31
1150 17th Street	28,000	39.85
1140 Connecticut Avenue	16,000	40.62
Universal Buildings	12,000	39.64
1726 M Street	3,000	37.00
All other properties	31,000	31.88
	2,512,000	38.97

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

WASHINGTON, DC OFFICE PROPERTIES - CONTINUED

Lease expirations as of December 31, 2007 assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Washington, DC Office Square Feet	Annual Escalated Rent of Expiring Leases	
				Total	Per Square Foot
Month to month	73	494,000	3.3%	$ 12,615,000	$ 25.52
2008	192	1,320,000	8.9%	43,714,000	33.12
2009	191	1,836,000	12.3%	58,481,000	31.85
2010	196	1,761,000	11.8%	58,130,000	33.01
2011	134	2,100,000	14.1%	67,244,000	32.03
2012	104	1,436,000	9.6%	51,564,000	35.92
2013	45	603,000	4.0%	22,638,000	37.54
2014	33	592,000	4.0%	17,883,000	30.23
2015	39	1,058,000	7.1%	31,968,000	30.22
2016	20	736,000	4.9%	25,803,000	35.04
2017	18	289,000	1.9%	9,674,000	33.52

WASHINGTON, DC OFFICE PROPERTIES - CONTINUED

Washington, DC Office Properties owned by us as of December 31, 2007:

Location/Complex	Number of Buildings	Leasable Building Square Feet	Percent Leased	Encumbrances (in thousands)
Crystal City:				
2011-2451 Crystal Drive - Crystal Parks	5	2,239,000	75.8%	$ 150,084
South Clark Street & 12th Street - Crystal Gateways	5	1,496,000	97.4%	155,531
1550-1750 Crystal Drive & 241-251 18th Street - Crystal Squares	4	1,458,000	98.6%	181,619
1800, 1851 and 1901 South Bell Street - Crystal Malls	3	856,000	82.1%	35,557
2100/2200 Crystal Drive - Crystal Plazas 3 & 4	2	529,000	98.9%	
223 23rd Street & 2221 South Clark Street - Crystal Plazas 5 & 6				
(90,000 square feet under development)	2	215,000	80.7%	
2001 Jefferson Davis Highway - Crystal Plaza 1	1	160,000	91.5%	
2100 Crystal Drive Retail	1	84,000	58.2%	
Crystal Drive Shops	1	57,000	88.4%	
	24	7,094,000	88.0%	522,791
Central Business District:				
Warner Building - 1299 Pennsylvania Avenue, NW	1	605,000	99.9%	292,700
1825-1875 Connecticut Avenue, NW	2	594,000	99.4%	62,613
1750 Pennsylvania Avenue, NW	1	254,000	99.9%	47,204
Bowen Building - 875 15th Street, NW	1	232,000	99.7%	115,022
1150 17th Street, NW	1	231,000	97.6%	30,265
1101 17th Street, NW	1	211,000	99.4%	25,064
1730 M Street, NW	1	197,000	99.5%	15,648
1140 Connecticut Avenue, NW	1	185,000	99.2%	18,538
1227 25th Street, NW	1	133,000	40.3%	
2101 L Street, NW (252,000 square feet under development)	1	125,000	100.0%	
1726 M Street, NW	1	86,000	96.7%	
1707 H Street, NW	1	56,000	100.0%	
South Capitol	2	45,000	100.0%	
1999 K Street, NW (250,000 square feet under development)	1			
Kaempfer Interests (2.5% to 5.0% interest):				
1399 New York Avenue, NW	1	3,000	100.0%	1,027
1501 K Street, NW	1	19,000	97.2%	5,162
401 M Street, SW (under development)	1	27,000		
	19	3,003,000	96.7%	613,243

WASHINGTON, DC OFFICE PROPERTIES - CONTINUED

Washington, DC Office Properties owned by us as of December 31, 2007 - continued:

Location/Complex	**Number of Buildings**	**Leasable Building Square Feet**	**Percent Leased**	**Encumbrances (in thousands)**
I-395 Corridor:				
Skyline Place	7	2,102,000	98.5%	577,200
One Skyline Tower	1	473,000	100.0%	100,800
	8	2,575,000	98.8%	678,000
Pentagon City:				
Fashion Centre Mall (7.5% interest)	1	61,000	98.1%	14,603
Washington Tower (7.5% interest)	1	13,000	100.0%	5,997
	2	74,000	98.5%	20,600
Rosslyn/Ballston:				
2200/2300 Courthouse Plaza	2	627,000	97.6%	74,200
Rosslyn Plaza, office buildings (46% interest)	4	324,000	97.7%	26,555
	6	951,000	97.6%	100,755
Reston:				
Reston Executive	3	490,000	90.0%	93,000
Commerce Executive	3	390,000	99.1%	50,222
	6	880,000	94.0%	143,222
Tysons Corner:				
Tysons Dulles Plaza	3	481,000	94.7%	
Fairfax Square (20% interest)	3	105,000	90.1%	12,809
	6	586,000	93.9%	12,809
Rockville/Bethesda:				
Democracy Plaza One	1	212,000	97.2%	
Washington, DC office properties	**72**	**15,375,000**	**93.2%**	**2,091,420**
Other:				
Riverhouse Apartments (1,680 units)	3	1,802,000	95.7%	46,339
Crystal City Hotel	1	266,000	100.0%	
220 20th Street - Crystal Plaza 2				
(265 unit residential development, 270,000 square feet)	1			
West End 25, 1229-1231 25th Street NW				
(283 unit residential development, 273,000 square feet)	1			
Rosslyn Plaza, residential buildings (46% interest)	2	110,000	97.7%	
Other	3	12,000	100.0%	
Total Other properties	11	2,190,000	95.7%	46,339
Total Washington, DC Properties	**83**	**17,565,000**	**93.5%**	**$ 2,137,759**

RETAIL PROPERTIES SEGMENT

As of December 31, 2007, we own 177 retail properties, of which 147 are strip shopping centers located primarily in the Northeast, Mid-Atlantic and California; 8 are regional malls located in New York, New Jersey, Virginia and San Juan, Puerto Rico; and 22 are retail properties located in Manhattan (Manhattan Street Retail). Our strip shopping centers and malls are generally located on major highways in mature, densely populated areas, and therefore attract consumers from a regional, rather than a neighborhood market place.

Strip Shopping Centers

Our strip shopping centers contain an aggregate of 15.8 million square feet and are substantially (over 80%) leased to large stores (over 20,000 square feet). Tenants include destination retailers such as discount department stores, supermarkets, home improvement stores, discount apparel stores and membership warehouse clubs. Tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price and location.

Regional Malls

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

The Monmouth Mall in Eatontown, New Jersey, in which we own a 50% interest, contains 1.4 million square feet and is anchored by Macy s, Lord & Taylor, J.C. Penney and Boscovs, three of which own their stores aggregating 719,000 square feet. The joint venture plans to construct 60,000 square feet of free-standing retail space in the mall complex, subject to governmental approvals. The expansion is expected to be completed during 2008.

The Springfield Mall in Springfield, Virginia contains 1.2 million square feet and is anchored by Macy s, and J.C. Penney and Target who own their stores aggregating 390,000 square feet. We intend to redevelop, reposition and re-tenant the mall.

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

The Bergen Town Center in Paramus, New Jersey contained approximately 900,000 square feet when we acquired it in December 2003. We are currently in the process of redeveloping the mall and constructing approximately 500,000 square feet of new space in place of 300,000 square feet which was demolished during 2007. Upon completion of the redevelopment at the end of 2008, the mall will contain approximately 1,200,000 square feet of retail space, of which 416,000 square feet has been leased to Century 21, Whole Foods and Target (ground leased).

The South Hills Mall in Poughkeepsie, New York contains 314,000 square feet and is anchored by Kmart and Burlington Coat Factory. We plan to redevelop the property into a 575,000 square foot strip shopping center. The redevelopment is expected to be completed during 2009.

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

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

Manhattan Street Retail

Manhattan Street Retail is comprised of 22 properties containing 943,000 square feet. These properties include 4 Union Square, which contains 198,000 square feet anchored by Whole Foods Market, Filenes Basement and DSW; the Manhattan Mall, which is under development and will include a new JC Penney store; and 1540 Broadway in Times Square, which contains 154,000 square feet anchored by Virgin Records and Planet Hollywood; and properties on Madison Avenue, and in SoHo, occupied by retailers including H&M, the GAP, Gucci, Chloe and Cartier. Manhattan Street Retail does not include 851,000 square feet of retail space in certain of our New York Office buildings.

RETAIL PROPERTIES SEGMENT CONTINUED

Occupancy and average annual net rent per square foot:

At December 31, 2007, the aggregate occupancy rate for the entire Retail Properties portfolio of 21.9 million square feet was 94.3%. Details of our ownership interest in the strip shopping centers, regional malls and Manhattan retail properties for the past five years are provided below.

Strip Shopping Centers:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Net Rent Per Square Foot
2007	15,463,000	94.1%	$ 14.12
2006	12,933,000	92.9%	13.48
2005	10,750,000	95.5%	12.07
2004	9,931,000	94.5%	12.00
2003	8,798,000	92.3%	11.91

Regional Malls:

			Average Annual Net Rent Per Square Foot	
As of December 31,	Rentable Square Feet	Occupancy Rate	Mall Tenants	Mall and Anchor Tenants
2007	5,528,000	96.1%	$ 34.94	$ 19.11
2006	5,640,000	93.4%	32.64	18.12
2005	4,817,000	96.2%	31.83	18.24
2004	3,766,000	93.1%	33.05	17.32
2003	3,766,000	94.1%	31.08	16.41

Manhattan Street Retail:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Net Rent per Square Foot
2007	943,000	86.8%	$ 89.86
2006	691,000	83.6%	83.53
2005	602,000	90.9%	81.94
2004	513,000	88.7%	72.81
2003	325,000	98.3%	112.77

RETAIL PROPERTIES SEGMENT   CONTINUED

2007 rental revenue by type of retailer:

Industry	Percentage
Department Stores	15%
Family Apparel	10%
Supermarkets	8%
Women s Apparel	8%
Home Entertainment and Electronics	8%
Restaurants	7%
Home Improvement	6%
Banking and Other Business Services	5%
Home Furnishings	3%
Personal services	3%
Sporting Goods	2%
Other	25%
	100%

Shopping center lease terms range from five years or less in some instances for smaller tenant spaces to as long as 25 years for major tenants. Leases generally provide for additional rents based on a percentage of tenants   sales and pass through to tenants the tenants   share of all common area charges (including roof and structure in strip shopping centers, unless it is the tenant s direct responsibility), real estate taxes and insurance costs and certain capital expenditures. Percentage rent accounted for less than 1% of 2007 Retail Properties total revenues. None of the tenants in the Retail Properties segment accounted for more than 10% of 2007 Retail Properties total revenues.

Tenants accounting for 2% or more of 2007 Retail Properties total revenues:

Tenant	Square Feet Leased	2007 Revenues	Percentage of Retail Revenues	Percentage of Total Company Revenues
Best Buy Co, Inc.	795,000	$16,641,000	3.4%	0.5%
Wal-Mart/Sam s Wholesale	1,599,000	15,662,000	3.2%	0.5%
The Home Depot, Inc	881,000	14,873,000	3.0%	0.5%
Macy s, Inc.	1,082,000	11,138,000	2.2%	0.3%
Sears Holdings Corporation (Sears and Kmart)	1,012,000	10,495,000	2.1%	0.3%
Stop & Shop Companies, Inc. (Stop & Shop)	498,000	10,054,000	2.0%	0.3%

RETAIL PROPERTIES SEGMENT CONTINUED

Lease expirations as of December 31, 2007 assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Retail Square Feet	Annual Net Rent of Expiring Leases Total	Per Square Foot
Malls:					
Month to month	146	315,000	1.3%	$ 7,686,000	$ 24.41
2008	101	296,000	1.2%	7,783,000	26.34
2009	99	367,000	1.5%	9,564,000	26.03
2010	75	206,000	0.9%	6,940,000	33.71
2011	68	340,000	1.4%	7,900,000	23.22
2012	50	302,000	1.3%	5,968,000	18.89
2013	66	374,000	1.6%	8,187,000	21.91
2014	36	269,000	1.1%	4,516,000	16.80
2015	61	304,000	1.3%	7,442,000	24.52
2016	51	406,000	1.7%	5,102,000	12.57
2017	29	440,000	1.8%	6,417,000	14.58
Strip Shopping Centers:					
Month to month	60	53,000	0.2%	$ 1,466,000	$ 27.57
2008	47	361,000	1.5%	4,816,000	13.33
2009	72	682,000	2.8%	9,083,000	13.31
2010	58	670,000	2.8%	9,816,000	14.66
2011	74	898,000	3.7%	9,697,000	10.79
2012	63	802,000	3.3%	12,188,000	15.20
2013	90	1,861,000	7.8%	20,497,000	11.01
2014	61	856,000	3.6%	13,544,000	15.82
2015	35	478,000	2.0%	8,208,000	17.17
2016	40	608,000	2.5%	9,900,000	16.28
2017	42	473,000	2.0%	7,041,000	14.90
Manhattan Street Retail:					
Month to month	14	38,000	0.2%	$ 1,081,000	$ 28.23
2008	7	28,000	0.1%	1,489,000	52.37
2009	8	19,000	0.1%	3,072,000	159.98
2010	4	65,000	0.3%	3,015,000	46.08
2011	11	112,000	0.5%	8,071,000	72.06
2012	8	34,000	0.1%	2,055,000	60.91
2013	13	61,000	0.3%	5,488,000	89.68
2014	7	26,000	0.1%	4,116,000	161.34
2015	14	40,000	0.2%	4,112,000	101.61
2016	13	23,000	0.1%	5,286,000	234.37
2017	7	24,000	0.1%	2,914,000	123.18

RETAIL PROPERTIES SEGMENT CONTINUED

2007 Retail Properties Leasing Activity:

Location	Square Feet	Average Initial Rent Per Square Foot (1)
Springfield Mall, Springfield, VA	69,000	$ 25.29
Green Acres Mall, Valley Stream, NY	62,000	41.36
Bergen Town Center, Paramus, NJ	58,000	53.40
South Hills Mall, Poughkeepsie, NY	47,000	11.62
Commack, NY	45,000	20.00
Freeport (437 East Sunrise Highway), NY	44,000	18.44
North Bergen (Tonnelle Avenue), NJ	40,000	28.74
Towson, MD	38,000	20.72
Monmouth Mall, Eatontown, NJ (50% interest)	38,000	42.60
478-486 Broadway, New York	37,000	177.51
Henrietta, NY	35,000	4.25
Allentown, PA	35,000	16.50
Watchung, NJ	23,000	20.00
Broadway Mall, Hicksville, NY	20,000	35.67
Fond Du Lac, WI	19,000	5.05
Middletown, NJ	16,000	20.64
Las Catalinas Mall, Puerto Rico	16,000	58.17
Morris Plains, NJ	15,000	23.54
Hackensack, NJ	14,000	26.37
Queens, NY	12,000	42.58
Roseville, MI	12,000	16.00
155 Spring Street, New York, NY	12,000	65.33
East Hanover, NJ	12,000	22.18
East Hanover II, NJ	11,000	25.20
Delran, NJ	10,000	8.00
Montehiedra Mall, Puerto Rico	10,000	43.05
340 Pine Street, CA	10,000	31.00
Lodi II, NJ	10,000	25.40
Inwood, NY	8,000	22.73
East Brunswick, NJ	8,000	24.50
677-679 Madison Avenue, New York, NY	8,000	331.39
Marlton, NJ	7,000	15.87
Bricktown, NJ	7,000	30.51
211-217 Columbus Avenue, New York, NY	6,000	268.63
Staten Island, NY	5,000	22.00
Union, NJ	4,000	25.00
Dover, NJ	4,000	20.00
Glenolden, PA	4,000	26.00
Pasadena, CA	4,000	47.79
Waterbury, CT	4,000	21.50
Merced, CA	4,000	21.96
Bronx (Bruckner Boulevard), NY	4,000	100.00
484 8th Avenue, New York, NY	4,000	171.67
Manalapan, NJ	3,000	40.00
Bronx (1750-1780 Gun Hill Road), NY	2,000	44.10
4 Union Square South, New York, NY	1,000	17.50
	857,000	39.38

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

RETAIL PROPERTIES SEGMENT CONTINUED

Retail Properties owned by us as of December 31, 2007:

	Approximate Leasable Building Square Footage					
Location	**Total Property**	**Owned by Company**	**Owned by Tenant on Land Leased from Company**	**Percent Leased**	**Encumbrances (in thousands)**	
REGIONAL MALLS:						
Green Acres Mall, Valley Stream, NY						
(10% ground and building leased through 2039)						
(excludes 39,000 square feet in development)	1,794,000	1,715,000	79,000	92.5%	$ 137,331	
Monmouth Mall, Eatontown, NJ (50% ownership)						
(excludes 50,000 square feet in development)	1,426,000 (1)	707,000		96.5%	165,000	
Springfield Mall, Springfield, VA (97.5% ownership)	1,177,000 (1)	787,000		100.0%	187,193	
Broadway Mall, Hicksville, NY	1,141,000 (1)	765,000	235,000	96.3%	97,050	
Bergen Town Center, Paramus, NJ						
(excludes 834,000 square feet in development)	409,000	409,000		100.0%		
South Hills Mall, Poughkeepsie, NY						
(excludes 356,000 square feet in development)	314,000	312,000	2,000	100.0%		
Montehiedra, Puerto Rico	540,000	540,000		98.1%	120,000	
Las Catalinas, Puerto Rico	496,000 (1)	356,000		94.4%	62,130	
Total Regional Malls	**7,297,000**	**5,591,000**	**316,000**	**96.2%**	**$ 768,704**	
Vornado s ownership interest	**5,528,000**	**5,212,000**	**316,000**	**96.1%**	**$ 681,524**	
STRIP SHOPPING CENTERS:						
NEW JERSEY						
East Hanover I and II	353,000	347,000	6,000	97.7%	$ 25,573	(2)
Totowa	317,000	178,000	139,000	100.0%	27,674	(2)
Bricktown	278,000	275,000	3,000	100.0%	15,276	(2)
Union (Route 22 and Morris Avenue)	276,000	113,000	163,000	100.0%	31,429	(2)
Hackensack	275,000	209,000	66,000	98.3%	23,433	(2)
Cherry Hill	264,000	58,000	206,000	99.2%	14,049	(2)
Jersey City	236,000	66,000	170,000	100.0%	17,940	(2)
East Brunswick I	231,000	221,000	10,000	100.0%	21,330	(2)
Middletown	231,000	179,000	52,000	98.7%	15,411	(2)
Woodbridge	227,000	87,000	140,000	100.0%	20,716	(2)
North Plainfield (ground leased through 2060)	219,000	219,000		94.4%	10,197	(2)
Union (2445 Springfield Avenue)	216,000	216,000		100.0%		
Marlton (excludes 49,000 square feet in development)	164,000	157,000	7,000	100.0%	11,416	(2)
Manalapan (excludes 3,000 square feet in development)	205,000	203,000	2,000	95.0%	11,741	(2)
East Rutherford	197,000	42,000	155,000	96.7%		
East Brunswick II	196,000	33,000	163,000	100.0%		
Bordentown	179,000	179,000		100.0%	7,559	(2)
Morris Plains	177,000	176,000	1,000	98.2%	11,281	(2)
Dover	173,000	167,000	6,000	98.1%	6,885	(2)
Delran	171,000	168,000	3,000	92.5%	6,022	(2)
Lodi (Route 17 North)	171,000	171,000		100.0%	8,798	(2)
Watchung	166,000	50,000	116,000	94.6%	12,681	(2)
Lawnside	145,000	142,000	3,000	100.0%	9,927	(2)
Hazlet	123,000	123,000		100.0%		
Kearny	104,000	32,000	72,000	100.0%	3,502	(2)
Turnersville	96,000	89,000	7,000	100.0%	3,828	(2)
Lodi (Washington Street)	85,000	85,000		100.0%	11,139	
Carlstadt (ground leased through 2050)	78,000	78,000		100.0%	7,799	
North Bergen	63,000	7,000	56,000	100.0%	3,714	(2)
South Plainfield (ground leased through 2039)	56,000	56,000		92.3%		
Englewood	41,000	41,000		94.8%	12,380	

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RETAIL PROPERTIES SEGMENT CONTINUED

Location	Approximate Leasable Building Square Footage Total Property	Owned by Company	Owned by Tenant on Land Leased from Company	Percent Leased	Encumbrances (in thousands)	
Eatontown	30,000	30,000		100.0%		
Montclair	18,000	18,000		100.0%	1,802	(2)
Garfield (excludes 325,000 square feet in development)						
North Bergen Ground-up Development (Tonnelle Avenue)						
(excludes 410,000 square feet in development)						
Total New Jersey	5,761,000	4,215,000	1,546,000		353,502	
PENNSYLVANIA						
Allentown	627,000	270,000	357,000	100.0%	21,778	(2)
Philadelphia	430,000	430,000		78.1%	8,389	(2)
Wilkes-Barre	329,000	329,000		100.0%	22,266	
Lancaster	228,000	58,000	170,000	93.6%		
Bensalem	184,000	176,000	8,000	100.0%	6,018	(2)
Broomall	169,000	147,000	22,000	100.0%	9,158	(2)
Bethlehem	167,000	164,000	3,000	88.4%	3,809	(2)
Upper Moreland	122,000	122,000		100.0%	6,511	(2)
York	110,000	110,000		100.0%	3,851	(2)
Levittown	105,000	105,000		100.0%	3,077	(2)
Glenolden	102,000	10,000	92,000	100.0%	6,869	(2)
Wilkes-Barre						
(ground and building leased through 2040)	81,000	81,000		50.1%		
Wyomissing						
(ground and building leased through 2065)	79,000	79,000		85.2%		
Total Pennsylvania	2,733,000	2,081,000	652,000		91,726	
NEW YORK						
Bronx, Bruckner Boulevard	501,000	387,000	114,000	98.8%		
Huntington	208,000	208,000		100.0%	15,821	
Buffalo (Amherst) (ground leased through 2017)	297,000	185,000	112,000	63.9%	6,565	(2)
Rochester	205,000		205,000	100.0%		
Mt. Kisco	189,000	189,000		100.0%	33,161	
Freeport (437 East Sunrise Highway)	167,000	167,000		100.0%	13,867	(2)
Staten Island	163,000	163,000		99.4%	18,349	
Rochester (Henrietta) (ground leased through 2056)	158,000	158,000		89.2%		
Albany (Menands)	140,000	140,000		74.0%	5,826	(2)
New Hyde Park						
(ground and building leased through 2029)	101,000	101,000		100.0%	6,999	(2)
Inwood	100,000	100,000		99.3%		
North Syracuse						
(ground and building leased through 2014)	98,000		98,000	100.0%		
West Babylon	79,000	79,000		100.0%	6,816	
Bronx (1750-1780 Gun Hill Road)						
(excludes 56,000 square feet in development)	11,000	11,000		100.0%		
Queens	58,000	58,000		98.7%		
Oceanside	16,000	16,000		100.0%		
Total New York	2,491,000	1,962,000	529,000		107,404	
MARYLAND						
Baltimore (Towson)	135,000	135,000		100.0%	10,672	(2)
Annapolis (ground and building leased through 2042)	128,000	128,000		100.0%		
Glen Burnie	121,000	65,000	56,000	100.0%	5,492	(2)
Rockville	94,000	94,000		100.0%	14,784	
Total Maryland	478,000	422,000	56,000		30,948	
MASSACHUSETTS						
Chicopee	156,000		156,000	100.0%		
Springfield	146,000	29,000	117,000	100.0%	2,928	(2)

Milford (ground and building leased through 2019)	83,000	83,000		100.0%	
Total Massachusetts	385,000	112,000	273,000		2,928

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RETAIL PROPERTIES SEGMENT CONTINUED

	Approximate Leasable Building Square Footage					
Location	**Total Property**	**Owned by Company**	**Owned by Tenant on Land Leased from Company**	**Percent Leased**	**Encumbrances (in thousands)**	
CALIFORNIA						
San Jose (45% ownership)						
(excludes 342,000 square feet in development)	309,000	289,000	20,000	100.0%	101,045	
Beverly Connection, Los Angeles (50% ownership)						
(excludes 56,000 square feet in development)	261,000	261,000		100.0%	170,000	
San Francisco (The Cannery)						
(2801 Leavenworth Street) (95% ownership)	101,000	101,000		64.6%	18,115	
Pasadena (ground leased through 2077)	133,000	133,000		84.4%		
San Francisco (275 Sacramento Street)	76,000	76,000		100.0%		
San Francisco (3700 Geary Boulevard)	30,000	30,000		100.0%		
Walnut Creek (1149 South Main Street)	29,000	29,000		100.0%		
Walnut Creek (1556 Mt. Diablo Boulevard)						
(95% ownership)	7,000	7,000				
Total California	946,000	926,000	20,000		289,160	
CONNECTICUT						
Newington	188,000	43,000	145,000	100.0%	6,135	(2)
Waterbury	148,000	143,000	5,000	100.0%	5,782	(2)
Total Connecticut	336,000	186,000	150,000		11,917	
VIRGINIA						
Norfolk (ground and building leased through 2069)	114,000	114,000		100.0%		
MICHIGAN						
Roseville	104,000	104,000		100.0%		
WASHINGTON, DC						
3040 M Street	42,000	42,000		100.0%		
NEW HAMPSHIRE						
Salem (ground leased through 2102)	37,000		37,000	100.0%		
PROPERTIES ACQUIRED FROM TOYS R US						
Wheaton, MD (ground leased through 2060)	66,000	66,000		100.0%		
San Francisco, CA (2675 Geary Street)						
(ground and building leased through 2043)	55,000	55,000		100.0%		
Coral Springs, FL	53,000	53,000		100.0%		
Cambridge, MA (ground and building leased through 2033)	48,000	48,000		61.7%		
Battle Creek, MI	47,000	47,000				
Bourbonnais, IL	47,000	47,000		100.0%		
Commack, NY (ground and building leased through 2021)	47,000	47,000		59.0%		
Lansing, IL	47,000	47,000				
Springdale, OH (ground and building leased through 2046)	47,000	47,000				
Arlington Heights, IL						
(ground and building leased through 2043)	46,000	46,000		100.0%		
Bellingham, WA	46,000	46,000				
Dewitt, NY (ground leased through 2041)	46,000	46,000		100.0%		
Littleton, CO	46,000	46,000		100.0%		
Ogden, UT	46,000	46,000				
Redding CA	46,000	46,000		49.7%		
Abilene, TX	45,000	45,000				
Antioch, TN	45,000	45,000		100.0%		
Charleston, SC (ground leased through 2063)	45,000	45,000		100.0%		
Dorchester, MA	45,000	45,000		100.0%		
Signal Hill, CA	45,000	45,000		100.0%		
Tampa, FL	45,000	45,000		100.0%		
Vallejo, CA (ground leased through 2043)	45,000	45,000		100.0%		

RETAIL PROPERTIES SEGMENT CONTINUED

	Approximate Leasable Building Square Footage				
Location	**Total Property**	**Owned by Company**	**Owned by Tenant on Land Leased from Company**	**Percent Leased**	**Encumbrances (in thousands)**
Freeport, NY (240 West Sunrise Highway)					
(ground and building leased through 2040)	44,000	44,000		100.0%	
Fond Du Lac, WI (ground leased through 2073)	43,000	43,000		100.0%	
San Antonio, TX (ground and building leased through 2041)	43,000	43,000		100.0%	
Chicago, IL, (ground and building leased through 2051)	41,000	41,000		100.0%	
Springfield, PA					
(ground and building leased through 2025)	41,000	41,000		100.0%	
Tyson s Corner, VA					
(ground and building leased through 2035)	38,000	38,000		100.0%	
Miami, FL (ground and building leased through 2034)	33,000	33,000		85.0%	
Owensboro, KY (ground and building leased through 2046)	32,000	32,000		100.0%	
Dubuque, IA (ground leased through 2043)	31,000	31,000		100.0%	
Grand Junction, CO	31,000	31,000		100.0%	
Holland, MI	31,000	31,000			
Merced, CA	31,000	31,000		100.0%	
Midland, MI (ground leased through 2043)	31,000	31,000		74.2%	
Texarkana, TX (ground leased through 2043)	31,000	31,000			
Vero Beach, FL	30,000	30,000		100.0%	
Total Properties Acquired From Toys R Us	1,579,000	1,579,000			
CALIFORNIA SUPERMARKETS:					
Colton (1904 North Rancho Avenue)	73,000	73,000		100.0%	
Riverside (9155 Jurupa Road)	42,000	42,000		100.0%	
San Bernardino (1522 East Highland Avenue)	40,000	40,000		100.0%	
Riverside(5571 Mission Boulevard)	39,000	39,000		100.0%	
Mojave (ground leased through 2079)	34,000	34,000		100.0%	
Corona (ground leased through 2079)	33,000	33,000		100.0%	
Yucaipa	31,000	31,000		100.0%	
Barstow	30,000	30,000		100.0%	
Moreno Valley	30,000	30,000		100.0%	
San Bernardino (648 West 4th Street)	30,000	30,000		100.0%	
Beaumont	29,000	29,000		100.0%	
Calimesa	29,000	29,000		100.0%	
Desert Hot Springs	29,000	29,000		100.0%	
Rialto	29,000	29,000		100.0%	
Anaheim	26,000	26,000		100.0%	
Colton (151 East Valley Boulevard)	26,000	26,000		100.0%	
Fontana	26,000	26,000		100.0%	
Garden Grove	26,000	26,000		100.0%	
Orange	26,000	26,000		100.0%	
Santa Ana	26,000	26,000		100.0%	
Westminster	26,000	26,000		100.0%	
Ontario	24,000	24,000		100.0%	
Rancho Cucamonga	24,000	24,000		100.0%	
Costa Mesa (707 West 19th Street)	18,000	18,000		100.0%	
Costa Mesa (2180 Newport Boulevard)	17,000	17,000		100.0%	
Total California Supermarkets	763,000	763,000			
Total Strip Shopping Centers	**15,769,000**	**12,506,000**	**3,263,000**	**94.2%**	**887,585**
Vornado s ownership interest	**15,463,000**	**12,211,000**	**3,252,000**	**94.1%**	**746,072**

RETAIL PROPERTIES SEGMENT CONTINUED

	Approximate Leasable Building Square Footage				
Location	Total Property	Owned by Company	Owned by Tenant on Land Leased from Company	Percent Leased	Encumbrances (in thousands)
MANHATTAN STREET RETAIL PROPERTIES:					
4 Union Square South	198,000	198,000		100.0%	$
Manhattan Mall	164,000	164,000		90.7%	72,639
1540 Broadway	154,000	154,000		58.8%	
478-486 Broadway	85,000	85,000		65.1%	
25 West 14th Street	62,000	62,000		100.0%	
435 Seventh Avenue	43,000	43,000		100.0%	
155 Spring Street	41,000	41,000		92.0%	
692 Broadway	35,000	35,000		74.6%	
1135 Third Avenue	25,000	25,000		100.0%	
715 Lexington Avenue (ground leased thru 2041)	23,000	23,000		100.0%	
7 West 34th Street	22,000	22,000		100.0%	
828-850 Madison Avenue	18,000	18,000		100.0%	80,000
484 Eighth Avenue	14,000	14,000		100.0%	
40 East 66th Street	10,000	10,000		91.9%	
431 Seventh Avenue	10,000	10,000		75.0%	
387 West Broadway	9,000	9,000		100.0%	
677-679 Madison Avenue	8,000	8,000		100.0%	
211-217 Columbus Avenue	6,000	6,000		100.0%	
968 Third Avenue (50% ownership)	6,000	6,000		100.0%	
122-124 Spring Street	5,000	5,000		100.0%	
386 West Broadway	4,000	4,000		100.0%	4,668
825 Seventh Avenue	4,000	4,000		100.0%	
Total Manhattan Street Retail Properties	**946,000**	**946,000**		**86.9%**	**$ 157,307**
Vornado s ownership interest	**943,000**	**943,000**		**86.8%**	**$ 157,307**
Total Retail Properties	**24,012,000**	**19,043,000**	**3,579,000**	**94.4%**	**$ 1,813,596**
Vornado s Ownership Interest	**21,934,000**	**18,366,000**	**3,568,000**	**94.3%**	**$ 1,584,903**

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(1) Includes square footage of anchors who own their own land and building.
(2) These encumbrances are cross-collateralized under a blanket mortgage in the amount of $455,907 as of December 31, 2007.

MERCHANDISE MART PROPERTIES SEGMENT

As of December 31, 2007, we own a portfolio of 9 Merchandise Mart properties containing an aggregate of 9.1 million square feet. The Merchandise Mart properties also contain eight parking garages totaling 1.2 million square feet (3,800 spaces). The garage space is excluded from the statistics provided in this section.

Square feet by location and use as of December 31, 2007:

(Amounts in thousands)			Showroom			
	Total	**Office**	**Total**	**Permanent**	**Temporary Trade Show**	**Retail**
Chicago, Illinois						
Merchandise Mart	3,301	1,028	2,209	1,823	386	64
350 West Mart Center	1,210	1,106	104	104		
Other	19					19
Total Chicago, Illinois	4,530	2,134	2,313	1,927	386	83
High Point, North Carolina						
Market Square Complex	1,750	32	1,690	1,184	506	28
National Furniture Mart	260		260	260		
Total High Point, North Carolina	2,010	32	1,950	1,444	506	28
Washington, DC						
Washington Design Center	392	70	322	322		
Washington Office Center	399	368				31
Total Washington, DC	791	438	322	322		31
Los Angeles, California						
L.A. Mart	781	32	740	686	54	9
Boston, Massachusetts						
Boston Design Center	554	121	428	428		5
New York, New York						
7 West 34th Street	386		386	386		
Total Merchandise Mart Properties	9,052	2,757	6,139	5,193	946	156
Occupancy rate	94.9%	97.1%	93.7%			99.7%

MERCHANDISE MART PROPERTIES SEGMENT   CONTINUED

Office Space

Occupancy and average annual escalated rent per square foot:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2007	2,757,000	97.1%	$ 26.86
2006	2,714,000	97.4%	25.64
2005	3,100,000	97.0%	26.42
2004	3,261,000	96.5%	27.59
2003	3,249,000	93.6%	27.73

2007 Merchandise Mart properties office rental revenues by tenants   industry:

Industry	Percentage
Service	26%
Government	25%
Banking	16%
Telecommunications	11%
Education	7%
Other	6%
Publications	5%
Insurance	4%
	100%

Office 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.

Office tenants accounting for 2% or more of Merchandise Mart Properties   2007 total revenues:

Tenant	Square Feet Leased	2007 Revenues	Percentage of Segment Revenues	Percentage of Total Company Revenues
U.S. Government	387,000	$13,647,000	4.8%	0.4%
WPP Group	250,000	7,028,000	2.5%	0.2%
SBC Ameritech	193,000	6,968,000	2.4%	0.2%

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MERCHANDISE MART PROPERTIES SEGMENT CONTINUED

2007 leasing activity Merchandise Mart Properties office space:

	Square Feet	Average Initial Rent Per Square Foot (1)
Merchandise Mart	183,000	$ 22.65
350 West Mart Center	59,000	25.60
Washington Design Center	45,000	42.41
Boston Design Center	23,000	23.13
Washington Office Center	14,000	40.62
L.A. Mart	5,000	25.80
Total	329,000	26.70

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

Lease expirations for Merchandise Mart Properties office space as of December 31, 2007 assuming none of the tenants exercise renewal options:

				Annual Escalated Rent of Expiring Leases	
Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Merchandise Mart Office Square Feet	Total	Per Square Foot
Month to month	10	49,000	1.8%	$ 1,151,000	$ 23.67
2008	18	237,000	8.8%	6,635,000	28.02
2009	4	209,000	7.8%	6,083,000	29.06
2010	8	385,000	14.4%	13,227,000	34.36
2011	13	218,000	8.2%	7,840,000	35.91
2012	12	135,000	5.0%	3,813,000	28.31
2013	12	77,000	2.9%	2,316,000	29.98
2014	13	162,000	6.1%	4,401,000	27.11
2015	6	122,000	4.5%	2,767,000	22.76
2016	3	110,000	4.1%	2,655,000	24.04
2017	7	110,000	4.1%	2,799,000	25.34

MERCHANDISE MART PROPERTIES SEGMENT CONTINUED

Showroom Space

The showrooms provide manufacturers and wholesalers with permanent and temporary space in which to display products for buyers, specifiers and end users. The showrooms are also used for hosting trade shows for the contract furniture, casual furniture, gift, carpet, crafts, apparel and design industries. Merchandise Mart Properties own and operate five of the leading furniture and gift trade shows, including the contract furniture industry s largest trade show, NeoCon, which attracts over 50,000 attendees each June and is hosted at the Merchandise Mart building in Chicago. The Market Square Complex co-hosts the home furniture industry s semi-annual (April and October) market weeks which occupy over 12 million square feet in the High Point, North Carolina region.

Occupancy and average escalated rent per square foot:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2007	6,139,000	93.7%	$ 26.16
2006	6,370,000	93.6%	25.17
2005	6,290,000	94.7%	24.04
2004	5,589,000	97.6%	23.08
2003	5,640,000	95.1%	22.35

2007 showroom revenues by tenants industry:

Industry	Percentage
Residential Design	26%
Gift	21%
Residential Furnishing	21%
Contract Furnishing	18%
Apparel	5%
Casual Furniture	5%
Building Products	3%
Other	1%
	100%

2007 Leasing Activity Merchandise Mart Properties showroom space:

	Square Feet	Average Initial Rent Per Square Foot (1)
Merchandise Mart	728,000	$ 31.42
Market Square Complex	390,000	16.87
L.A. Mart	168,000	19.06
7 West 34th Street	114,000	37.80
Boston Design Center	45,000	31.11
350 West Mart Center	36,000	25.75
Washington Design Center	29,000	35.84

Total	1,510,000	26.70

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

MERCHANDISE MART PROPERTIES SEGMENT CONTINUED

Lease expirations for the Merchandise Mart Properties showroom space as of December 31, 2007 assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Merchandise Mart Showroom Square Feet	Annual Escalated Rent of Expiring Leases Total	Per Square Foot
Month to month	37	101,000	1.8%	$ 2,720,000	$ 26.84
2008	167	519,000	9.0%	13,738,000	26.47
2009	265	763,000	13.3%	20,013,000	26.21
2010	246	889,000	15.4%	24,810,000	27.92
2011	101	660,000	11.5%	16,801,000	25.47
2012	85	531,000	9.2%	13,301,000	25.03
2013	59	341,000	5.9%	12,170,000	35.73
2014	35	252,000	4.4%	7,051,000	27.96
2015	46	245,000	4.3%	8,697,000	35.46
2016	30	182,000	3.2%	5,698,000	31.30
2017	26	208,000	3.6%	6,797,000	32.62

Retail Space

The Merchandise Mart Properties portfolio also contains approximately 156,000 square feet of retail space which was 99.7% occupied at December 31, 2007.

Merchandise Mart Properties owned by us as of December 31, 2007:

Location	Approximate Leasable Building Square Feet	Percent Leased	Encumbrances (in thousands)
ILLINOIS			
Merchandise Mart, Chicago	3,301,000	96.1%	$ 550,000
350 West Mart Center, Chicago	1,210,000	96.5%	
Other (50% interest)	19,000	100.0%	11,734
Total Illinois	4,530,000	96.2%	561,734
HIGH POINT, NORTH CAROLINA			
Market Square Complex	1,750,000	94.8%	194,090
National Furniture Mart	260,000	92.5%	27,168
Total High Point, North Carolina	2,010,000		