

Section 1: 10-Q (VORNADO REALTY TRUST)

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EXHIBIT INDEX ON PAGE 35

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: SEPTEMBER 30, 2000

or

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

For the transition period from _____ to

Commission File Number: 1-11954

VORNADO REALTY TRUST
(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of incorporation
or organization)

22-1657560
(I.R.S. Employer
Identification Number)

888 SEVENTH AVENUE, NEW YORK, NEW YORK
(Address of principal executive offices)

10019
(Zip Code)

(212) 894-7000
(Registrant's telephone number, including area code)

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

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

Yes No

As of November 1, 2000 there were 86,847,813 common shares of the registrant's shares of beneficial interest outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VORNADO REALTY TRUST

CONSOLIDATED BALANCE SHEETS

(amounts in thousands except share amounts)

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
	-----	-----
ASSETS		
Real estate, at cost:		
Land	\$ 825,735	\$ 826,477
Buildings and improvements	3,203,362	3,080,174
Leasehold improvements and equipment	19,042	14,856
	-----	-----
Total	4,048,139	3,921,507
Less accumulated depreciation and amortization	(368,883)	(308,542)
	-----	-----
Real estate, net	3,679,256	3,612,965
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of \$23,303 and \$43,675	164,284	112,630
Escrow deposits and restricted cash	213,950	30,571
Marketable securities	123,660	106,503
Investments and advances to partially-owned entities, including Alexander's of \$172,254 and \$159,148	1,455,974	1,315,387
Due from officers	19,504	17,190
Accounts receivable, net of allowance for doubtful accounts of \$8,180 and \$7,292 ...	49,471	36,408
Notes and mortgage loans receivable	187,841	49,719
Receivable arising from the straight-lining of rents	104,666	79,298
Deposits in connection with real estate acquisitions	17,353	8,128
Other assets	168,305	110,419
	-----	-----
TOTAL ASSETS	\$ 6,184,264	\$ 5,479,218
	=====	=====

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	\$ 2,225,589	\$ 1,681,804
Revolving credit facility	278,000	367,000
Accounts payable and accrued expenses	104,181	107,036
Officer's compensation payable	37,799	34,996
Deferred leasing fee income	7,976	8,349
Other liabilities	2,683	2,634
	-----	-----
Total liabilities	2,656,228	2,201,819
	-----	-----
Minority interest of unitholders in the Operating Partnership	1,446,657	1,222,031
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest:		
No par value per share; authorized, 45,000,000 shares;		
Series A: liquidation preference \$50.00 per share; issued 5,789,239 shares	287,788	285,632
Series B: liquidation preference \$25.00 per share; issued 3,400,000 shares	81,805	81,805
Series C: liquidation preference \$25.00 per share; issued 4,600,000 shares	111,148	111,148
Common shares of beneficial interest:		
\$.04 par value per share; authorized, 150,000,000 shares; issued and outstanding 86,794,315 and 86,335,741 shares	3,472	3,453
Additional capital	1,709,625	1,696,557
Deferred compensation	(4,165)	--
Accumulated deficit	(86,906)	(116,979)
	-----	-----
Accumulated other comprehensive loss ...	2,102,767	2,061,616
Due from officers for purchase of common shares of beneficial interest	(16,705)	(1,448)
	-----	-----
Total shareholders' equity ...	(4,683)	(4,800)
	-----	-----
Total shareholders' equity ...	2,081,379	2,055,368
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 6,184,264	\$ 5,479,218
	=====	=====

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands except per share amounts)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30		FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2000	1999	2000	1999
	-----	-----	-----	-----
Revenues:				
Property rentals	\$ 178,159	\$ 153,598	\$ 512,739	\$ 434,215
Expense reimbursements	32,074	24,841	82,934	66,712
Other income (including fee income from related parties of \$637 and \$500 in each three month period and \$1,304 and \$1,314 in each nine month period) ...	5,422	4,382	14,006	12,380
	-----	-----	-----	-----
Total revenues	215,655	182,821	609,679	513,307
	-----	-----	-----	-----
Expenses:				
Operating	82,700	74,644	233,371	206,340

Depreciation and amortization	25,026	21,438	72,966	60,315
General and administrative	13,304	7,722	34,271	27,519
	-----	-----	-----	-----
Total expenses	121,030	103,804	340,608	294,174
	-----	-----	-----	-----
Operating income	94,625	79,017	269,071	219,133
Income applicable to Alexander's	1,306	1,610	7,463	4,951
Income from partially-owned entities	26,808	18,717	74,447	58,295
Interest and other investment income	7,571	4,222	18,269	12,580
Interest and debt expense	(42,558)	(35,085)	(121,240)	(105,986)
Net gain on sale of real estate	8,405	--	10,965	--
Minority interest:				
Perpetual preferred unit distributions	(17,140)	(4,520)	(44,949)	(8,460)
Minority limited partnership earnings	(10,494)	(9,363)	(29,163)	(25,296)
Partially-owned entities	(404)	(439)	(1,470)	(1,453)
	-----	-----	-----	-----
Income before extraordinary item	68,119	54,159	183,393	153,764
Extraordinary item	--	--	(1,125)	--
	-----	-----	-----	-----
Net income	68,119	54,159	182,268	153,764
Preferred stock dividends (including accretion of issuance expenses of \$719 and \$2,156 in each three and nine month period)	(9,672)	(9,672)	(29,017)	(23,765)
	-----	-----	-----	-----
NET INCOME applicable to common shares	\$ 58,447	\$ 44,487	\$ 153,251	\$ 129,999
	=====	=====	=====	=====
NET INCOME PER COMMON SHARE				
- BASIC	\$.68	\$.52	\$ 1.77	\$ 1.52
	=====	=====	=====	=====
NET INCOME PER COMMON SHARE				
-DILUTED	\$.65	\$.51	\$ 1.73	\$ 1.49
	=====	=====	=====	=====
DIVIDENDS PER COMMON SHARE	\$.48	\$.44	\$ 1.44	\$ 1.32
	=====	=====	=====	=====

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	For The Nine Months Ended September 30,	
	2000	1999
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 182,268	\$ 153,764
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization (including debt issuance costs)	72,966	60,315
Straight-lining of rental income	(25,368)	(23,387)
Net gain on sale of real estate	(10,965)	--
Minority interest	75,582	35,209
Extraordinary item	1,125	--
Equity in income of Alexander's, including depreciation of \$450 in each period	1,467	(1,146)
Equity in net income of partially-owned entities	(74,447)	(46,130)
Gain on sale of marketable securities	--	(382)
Changes in operating assets and liabilities	(77,480)	(50,140)
	-----	-----
Net cash provided by operating activities	145,148	127,833
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate	(106,579)	(113,945)
Acquisitions of real estate and other	(27,360)	(182,400)
Proceeds from sale of real estate	46,832	--
Investments in partially-owned entities	(74,694)	(35,845)
Distributions from partially-owned entities	14,870	--
Investment in notes and mortgages receivable	(142,251)	(53,380)
Repayment of mortgage loans receivable	4,222	14,000
Cash restricted, primarily mortgage escrows	(183,379)	25,785
Purchases of securities available for sale	(25,861)	(3,939)

Proceeds from sale of Temperature Controlled Logistics assets	--	22,769
Proceeds from sale or maturity of securities available for sale	--	12,498
Real estate deposits and other	(9,225)	(23,782)
	-----	-----
Net cash used in investing activities	(503,425)	(338,239)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	1,048,036	205,000
Repayments of borrowings	(629,891)	(394,975)
Debt issuance costs	(18,319)	(8,059)
Proceeds from issuance of units	195,847	343,155
Proceeds from issuance of preferred stock	--	193,282
Dividends paid on common shares	(124,501)	(112,390)
Distributions to minority partners	(53,548)	(23,491)
Dividends paid on preferred shares	(17,907)	(21,608)
Exercise of stock options	10,214	2,436
	-----	-----
Net cash provided by financing activities	409,931	183,350
	-----	-----
Net increase/(decrease) in cash and cash equivalents	51,654	(27,056)
Cash and cash equivalents at beginning of period	112,630	167,808
	-----	-----
Cash and cash equivalents at end of period	\$ 164,284	\$ 140,752
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest (including capitalized interest of \$8,054 in 2000 and \$4,379 in 1999)	\$ 120,045	\$ 108,713
NON-CASH TRANSACTIONS:		
Financing assumed in acquisitions	\$ 36,640	\$ 188,000
Minority interest in connection with acquisitions	--	299,390
Unrealized loss/(gain) on securities available for sale	14,680	(8,493)

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Vornado Realty Trust is a fully integrated real estate investment trust ("REIT"). Vornado conducts its business through Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Vornado is the sole general partner of, and owned approximately 86% of the common limited partnership interest in, the Operating Partnership at September 30, 2000. All references to the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

2. BASIS OF PRESENTATION

The consolidated balance sheet as of September 30, 2000, the consolidated statements of income for the three and nine months ended September 30, 2000 and 1999 and the consolidated statements of changes in cash flows for the nine months ended September 30, 2000 and 1999 are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Vornado's annual report on Form 10-K for the year ended December 31, 1999 as filed with the Securities and Exchange Commission. The results of operations for the nine months ended September 30, 2000 are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado Realty L.P., as well as equity interests acquired that individually (or in the aggregate with prior interests) exceed a 50% interest and the Company exercises unilateral control. All significant intercompany amounts have been eliminated. Equity interests in partially-owned entities include partnerships, joint ventures and preferred stock affiliates (corporations in which the Company owns all of the preferred stock and none of the common equity) and are accounted for under the equity method of accounting as the Company exercises significant influence. These investments are recorded initially at cost and subsequently adjusted for net equity in income (loss) and cash contributions and distributions. Ownership

of the preferred stock entitles the Company to substantially all of the economic benefits in the preferred stock affiliates. The common stock of the preferred stock affiliates is owned by Officers and Trustees of Vornado.

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

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

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

3. ACQUISITIONS, DISPOSITIONS AND FINANCINGS

ACQUISITIONS

Vornado-Ceruzzi Joint Venture

In the first quarter of 2000, the Company and its joint venture partner acquired 2 fee interests containing 210,000 square feet and 6 leasehold interests containing 567,000 square feet in properties located in Pennsylvania, Virginia, Maryland and Ohio formerly occupied by Hechinger, Inc., a home improvement retailer which was liquidated. The purchase price was \$21,700,000, of which the Company's share was 80%.

Student Housing Complex

On January 28, 2000, the Company and its joint venture partner, acquired a 252-unit student housing complex in Gainesville, Florida, for approximately \$27,000,000, of which \$19,600,000 was indebtedness. The Company's share of this investment is 90%.

Loan to NorthStar Partnership L.P.

On September 19, 2000, the Company acquired \$75,000,000 of subordinated unsecured debt of NorthStar Partnership, L.P. ("NorthStar"), a private real estate company, for \$65,000,000. The loan bears interest at 11.5% per annum, requires quarterly principal payments of \$2,500,000 and matures in May 2002. The effective rate on the loan is approximately 22% including the amortization of the discount. NorthStar has filed suit against the Company seeking to enjoin Vornado from taking any action with respect to the debt, to rescind the Company's acquisition of the debt and collect damages. In the opinion of management, after consultation with legal counsel, NorthStar's suit is without merit and the Company intends to vigorously defend against it.

33 N. Dearborn Street

On September 21, 2000, the Company acquired a 350,000 square foot office building in Chicago for approximately \$35,000,000 of which \$19,000,000 was indebtedness.

Loan to Primestone Investment Partners, L.P.

On September 28, 2000, the Company made a \$62,000,000 subordinated loan to Primestone Investment Partners, L.P. secured by partnership units in Prime Group Realty LP, the operating partnership of Prime Group Realty Trust (NYSE:PGE). The Company has received a 1% upfront fee and will be entitled to receive certain other fees aggregating approximately 3% upon repayment of the loan. The debt bears interest at 16% per annum and matures on October 26, 2001 with an eleven month extension option. The effective rate on the loan is approximately 20% including the fees.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

DISPOSITIONS

On March 2, 2000, the Company sold its three Texas shopping center properties containing 221,000 square feet, for \$25,750,000, resulting in a gain of \$2,560,000.

On August 30, 2000, the Company sold its Westport, Connecticut office property for \$24,000,000, resulting in a gain of \$8,405,000.

FINANCINGS

CORPORATE

REMIC Refinancing

On March 1, 2000, the Company completed a \$500,000,000 private placement of 10-year, 7.93% mortgage notes, cross-collateralized by 42 shopping center properties, resulting in net proceeds of approximately \$490,000,000. In connection therewith, the Company repaid \$228,000,000 of existing mortgage debt scheduled to mature on December 1, 2000 and \$262,000,000 outstanding under its revolving credit facility. The Company incurred an extraordinary loss of approximately \$1,125,000 in the three months ended March 31, 2000 due to the write-off of unamortized financing costs in connection with the prepayment of the existing debt.

Revolving Credit Facility

On March 21, 2000, the Company renewed its \$1,000,000,000 revolving credit facility for an additional three years. The covenants of the facility include, among others, maximum loan to value ratio, minimum debt service coverage and minimum capitalization requirements. Interest is at LIBOR plus .90% (7.54% at September 30, 2000). The Company paid origination fees of \$6,700,000 and pays a commitment fee quarterly, over the remaining term of the facility of .15% per annum on the facility amount.

Offerings of Preferred Units

On May 1, 2000, the Company sold an aggregate of \$21,000,000 of 8.25% Series D-6 Cumulative Redeemable Preferred Units in the Operating Partnership to an institutional investor in a private placement, resulting in net proceeds of approximately \$20,475,000. The perpetual preferred units may be called without penalty at the option of the Operating Partnership commencing on May 1, 2005.

On May 25, 2000, the Company sold an aggregate of \$180,000,000 of 8.25% Series D-7 Cumulative Redeemable Units in the Operating Partnership to an institutional investor in a private placement, resulting in net proceeds of approximately \$175,500,000. The perpetual preferred units may be called without penalty at the option of the Operating Partnership commencing on May 25, 2005.

OFFICE

Two Park Avenue Refinancing

On March 1, 2000, the Company refinanced its Two Park Avenue office building for \$90,000,000. On such date, the Company received proceeds of \$65,000,000 and repaid the then existing debt in the same amount. The balance of the proceeds was received on April 18, 2000. The new 3-year debt matures on February 28, 2003 and bears interest at LIBOR + 1.45% (8.09% at September 30, 2000).

770 Broadway and 595 Madison Avenue

On August 11, 2000, the Company completed a \$173,500,000 mortgage financing, cross-collateralized by its 770 Broadway and 595 Madison Avenue office buildings. The loan bears interest at LIBOR + .40% (7.04% at September 30, 2000) and matures on August 1, 2002. At September 30, 2000, the proceeds of the loan are in a restricted mortgage escrow account, which bears interest at the same rate as the loan.

4. INVESTMENTS AND ADVANCES TO PARTIALLY-OWNED ENTITIES

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

Investments and Advances

	September 30, 2000	December 31, 1999
	-----	-----
(amounts in thousands)		
Temperature Controlled Logistics.....	\$ 504,494	\$ 481,808
Charles E. Smith Commercial Realty L.P. ("CESCR").....	323,212	317,812
Alexander's.....	172,254	159,148
Newkirk Joint Ventures.....	160,960	142,670
Hotel Pennsylvania (1).....	64,755	59,176

Partially-Owned Office Buildings.....	60,823	59,510
Fort Lee Development Project.....	26,561	16,663
Park Laurel Development Project.....	55,040	24,695
Other.....	87,875	53,905
	-----	-----
	\$ 1,455,974	\$ 1,315,387
	=====	=====

Income	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
(amounts in thousands)				
Income applicable to Alexander's:				
33.1% share of equity in income.....	\$ (1,945)	\$ 330	\$ (1,467)	\$ 1,146
Interest income.....	3,251	1,280	8,930	3,805
	-----	-----	-----	-----
	\$ 1,306	\$ 1,610	\$ 7,463	\$ 4,951
	=====	=====	=====	=====
Temperature Controlled Logistics:				
60% share of equity in income.....	\$ 6,964	\$ 5,811	\$ 20,624	\$ 22,361
Management fee (40% of 1% per annum of Total Combined Assets, as defined).....	1,380	1,655	4,060	5,601
	-----	-----	-----	-----
	8,344	7,466	24,684	27,962
CESCR (2).....	5,630	4,393	18,948	12,154
Newkirk Joint Ventures (3).....	8,687	5,778	18,425	11,087
Hotel Pennsylvania (1).....	1,911	830	5,218	3,398
Partially-Owned Office Buildings.....	850	626	2,528	1,376
Other.....	1,386	(376)	4,644	2,318
	-----	-----	-----	-----
	\$ 26,808	\$ 18,717	\$ 74,447	\$ 58,295
	=====	=====	=====	=====

- (1) The Company owns 100% of the commercial portion of the building (retail and office space) and 98% of the hotel portion, which is owned through a preferred stock affiliate.
- (2) 9.6% interest from January 1999 to March 1999 and 34% interest thereafter.
- (3) Includes the Company's share of an extraordinary gain of \$652 resulting from the prepayment of debt in the second quarter of this year.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Temperature Controlled Logistics

Subsequent to March 12, 1999 (date the operations of the AmeriCold Logistics Company were sold), the Company reflects its 60% share of the Vornado/Crescent Partnerships' ("the Landlord") equity in the rental income it receives from AmeriCold Logistics Company, its tenant, which leases the underlying temperature controlled warehouses used in its business. Prior to that date the Company reflected its equity in the operations.

Total rent was \$42,617,000 and \$128,728,000 for the third quarter and the nine months ended September 30, 2000, of which the tenant deferred \$4,800,000 and \$11,500,000. As at September 30, 2000, the balance of the tenant's deferred rent is as follows:

	Total	The Company's Share
	-----	-----
2000:		
Quarter ended September 30	\$ 4,800,000	\$ 2,880,000
Quarter ended June 30	6,700,000	4,020,000
	-----	-----
	11,500,000	6,900,000
1999:		
Quarter ended December 31	5,400,000	3,240,000
	-----	-----
	\$ 16,900,000	\$ 10,140,000
	=====	=====

Based on the Company's policy of recognizing rental income when earned and collection is reasonably assured or cash is received, the Company did not recognize \$2,880,000 of income from this tenant in the quarter ended September 30, 2000 and \$5,280,000 in the nine months ended September 30, 2000. The Company and this tenant are in discussions regarding the restructuring of the leases.

Alexander's

On March 31, 2000, the Company increased its ownership in Alexander's from 32% to 32.9% by acquiring 41,500 shares of Alexander's common stock for approximately \$2,740,000. On April 11, 2000, the Company acquired an additional 10,400 shares of Alexander's common stock for approximately \$674,000, thereby increasing its ownership interest to 33.1%.

Alexander's is managed by and its properties are redeveloped and leased by the Company, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable. Under these agreements, the Company recorded management fee income from Alexander's of \$1,057,000 and \$1,057,000 for the three months ended September 30, 2000 and 1999 and \$3,181,000 and \$3,271,000 for the nine months ended September 30, 2000 and 1999, which is included in other income from partially-owned entities.

The Company's equity in the income of Alexander's for the three and nine months ended September 30, 2000, is net of its share of stock appreciation rights compensation expense of \$1,947,000 and \$2,272,000, based on Alexander's closing stock price of \$81.75 at September 30, 2000.

At September 30, 2000, the Company has loans receivable from Alexander's of \$110,000,000, including \$15,000,000 under the line of credit discussed below. The Company recorded interest income on these loans of \$3,251,000 and \$1,280,000 in the three months ended September 30, 2000 and 1999 and \$8,930,000 and \$3,805,000 in the nine months ended September 30, 2000 and 1999.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

On August 1, 2000, Vornado provided a \$50,000,000 secured line of credit to Alexander's under the same terms and conditions as Alexander's existing \$95,000,000 loan from the Company, including the interest rate of 15.72%. The maturity date of the existing \$95,000,000 loan has been extended to March 15, 2002, which is also the maturity date of the new line of credit. The interest rate on the loan and line of credit will reset on March 15, 2001, using the same spread to treasuries as presently exists.

5. OTHER RELATED PARTY TRANSACTIONS

The Company loaned an executive officer of the Company \$1,000,000 on March 24, 2000 and an additional \$1,000,000 on April 4, 2000 in accordance with the terms of an employment agreement. The loans have a five year term and bear interest, payable quarterly at a rate of 6.63% and 6.55%, respectively (based on the mid-term applicable federal rate provided under the Internal Revenue Code).

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a management agreement. Management fees earned by the Company pursuant to the management agreement were \$477,000 and \$352,000 for the three months ended September 30, 2000 and 1999 and \$864,000 and \$817,000 for the nine months ended September 30, 2000 and 1999.

The Mendik Group owns an entity, which provides cleaning and related services and security services to office properties, including the Company's Manhattan office properties. The Company was charged fees in connection with these contracts of \$11,443,000 and \$10,280,000 for the three months ended September 30, 2000 and 1999 and \$34,862,000 and \$29,577,000 for the nine months ended September 30, 2000 and 1999.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

6. MINORITY INTEREST

The minority interest represents limited partners', other than the Company, interests in the Operating Partnership and are comprised of:

Unit Series	Outstanding Units at		Per Unit Liquidation Preference	Preferred or Annual Distribution Rate	Conversion Rate Into Class A Units
	September 30, 2000	December 31, 1999			
Class A	6,407,258	6,247,829	--	\$ 1.92	(a)
Class D	869,387	876,543	--	\$ 2.015	1.0 (b)
5.0% B-1 Convertible Preferred	899,566	899,566	\$ 50.00	\$ 2.50	.914
8.0% B-2 Convertible Preferred	449,783	449,783	\$ 50.00	\$ 4.00	.914
6.5% C-1 Convertible Preferred	747,912	747,912	\$ 50.00	\$ 3.25	1.1431
8.5% D-1 Cumulative Redeemable Preferred	3,500,000	3,500,000	\$ 25.00	\$ 2.125	(c)
8.375% D-2 Cumulative Redeemable Preferred.....	549,336	549,336	\$ 50.00	\$4.1875	(c)
8.25% D-3 Cumulative Redeemable Preferred.....	8,000,000	8,000,000	\$ 25.00	\$2.0625	(c)
8.25% D-4 Cumulative Redeemable Preferred.....	5,000,000	5,000,000	\$ 25.00	\$2.0625	(c)
8.25% D-5 Cumulative Redeemable Preferred.....	7,480,000	7,480,000	\$ 25.00	\$2.0625	(c)
8.25% D-6 Cumulative Redeemable Preferred.....	840,000	--	\$ 25.00	\$2.0625	(c)
8.25% D-7 Cumulative Redeemable Preferred.....	7,200,000	--	\$ 25.00	\$2.0625	(c)
6.25% E-1 Convertible Preferred	4,998,000	4,998,000	\$ 50.00	\$ 3.125(d)	1.1364

- (a) Class A units are redeemable at the option of the holder for cash or, at the Company's option, for one common share of beneficial interest in Vornado.
- (b) Mandatory conversion of Class D units into Class A units will occur after four consecutive quarters of distributions of at least \$.50375 per Class A unit (\$2.015 annually).
- (c) Redeemable for an equivalent of the Company's preferred shares.
- (d) Increases to \$3.25 on March 3, 2001, and fixes at \$3.375 on March 3, 2006.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. COMMITMENTS AND CONTINGENCIES

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

8. INCOME PER SHARE

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

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2000	1999	2000	1999
(amounts in thousands except per share amounts)				
Numerator:				
Income before extraordinary item.....	\$ 68,119	\$ 54,159	\$ 183,393	\$ 153,764
Extraordinary item.....	--	--	(1,125)	--
Net income.....	68,119	54,159	182,268	153,764
Preferred stock dividends.....	(9,672)	(9,672)	(29,017)	(23,765)
Numerator for basic and diluted income per share - net income applicable to common shares.....	\$ 58,447	\$ 44,487	\$ 153,251	\$ 129,999
Denominator:				
Denominator for basic income per share - weighted average shares.....	86,584	85,936	86,455	85,555
Effect of dilutive securities:				
Employee stock options.....	3,129	1,553	2,168	1,783
Denominator for diluted income per share - adjusted weighted average shares and assumed conversions.....	89,713	87,489	88,623	87,338

INCOME PER COMMON SHARE - BASIC:				
Income before extraordinary item.....	\$.68	\$.52	\$ 1.78	\$ 1.52
Extraordinary item.....	--	--	(.01)	--
Net income per common share.....	\$.68	\$.52	\$ 1.77	\$ 1.52
INCOME PER COMMON SHARE - DILUTED:				
Income before extraordinary item.....	\$.65	\$.51	\$ 1.74	\$ 1.49
Extraordinary item.....	--	--	(.01)	--
Net income per common share.....	\$.65	\$.51	\$ 1.73	\$ 1.49

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

9. COMPREHENSIVE INCOME

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
(amounts in thousands)				
Net income applicable to common shares.....	\$ 58,447	\$ 44,487	\$ 153,251	\$ 129,999
Other comprehensive loss.....	(13,001) (1)	(2,623)	(15,257) (1)	(1,270)
Comprehensive income.....	\$ 45,446	\$ 41,864	\$ 137,994	\$ 128,729

(1) Primarily reflects the fluctuations in the market value of Vornado's investments in companies that provide fiber-optic networks and broadband access to the Company's Office division tenants.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

10. SEGMENT INFORMATION

The Company has four business segments: Office, Retail, Merchandise Mart Properties and Temperature Controlled Logistics.
(amounts in thousands)

	Three Months Ended September 30, 2000					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other (2)
Total revenues	\$ 215,655	\$ 129,165	\$ 43,969	\$ 37,212	\$ --	\$ 5,309
Total expenses	121,030	73,286	16,596	19,010	--	12,138
Operating income	94,625	55,879	27,373	18,202	--	(6,829)
Income applicable to Alexander's	1,306	--	--	--	--	1,306 (6)
Income from partially-owned entities	26,808	7,201	318	1,371	8,344 (4)	9,574
Interest and other investment income	7,571	2,030	--	319	--	5,222
Interest and debt expense ...	(42,558)	(16,850)	(8,477)	(9,955)	--	(7,276)
Net gain on sale of real estate	8,405	8,405	--	--	--	--

Minority interest	(28,038)	(16,059)	(4,817)	(3,899)	(3,257)	(6)
Net income	68,119	40,606	14,397	6,038	5,087	1,991
Minority interest	28,038	16,059	4,817	3,899	3,257	6
Net gain on sale of real estate	(8,405)	(8,405)	--	--	--	--
Interest and debt expense(3)	65,196	24,912	9,124	9,955	6,909	14,296
Depreciation and amortization(3)	40,046	19,260	4,392	4,744	8,088	3,562
Straight-lining of rents(3) .	(10,360)	(6,531)	(591)	(1,759)	(176)	(1,303)
Other	2,983	(252)	269	--	(451)	3,417
EBITDA(1)	\$ 185,617	\$ 85,649	\$ 32,408	\$ 22,877	\$ 22,714	\$ 21,969

Three Months Ended September 30, 1999

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Total revenues	\$ 182,821	\$ 100,701	\$ 43,318	\$ 35,622	\$ --	\$ 3,180
Total expenses	103,804	61,248	18,161	19,352	--	5,043
Operating income	79,017	39,453	25,157	16,270	--	(1,863)
Income applicable to Alexander's	1,610	--	--	--	--	1,610
Income from partially-owned entities	18,717	5,029	217	(703)	7,466	6,708
Interest and other investment income	4,222	436	--	199	--	3,587
Interest and debt expense ...	(35,085)	(13,185)	(5,486)	(8,166)	--	(8,248)
Net gain on sale of real estate	--	--	--	--	--	--
Minority interest	(14,322)	(6,808)	(4,126)	(1,693)	(1,695)	--
Net income	54,159	24,925	15,762	5,907	5,771	1,794
Minority interest	14,322	6,808	4,126	1,693	1,695	--
Net gain on sale of real estate	--	--	--	--	--	--
Interest and debt expense(3)	58,870	22,465	6,139	8,166	6,532	15,568
Depreciation and amortization(3)	36,045	16,460	4,144	4,463	7,591	3,387
Straight-lining of rents(3) .	(7,532)	(4,503)	(684)	(1,224)	(544)	(577)
Other	1,126	(42)	--	--	2,757(5)	(1,589)
EBITDA(1)	\$ 156,990	\$ 66,113	\$ 29,487	\$ 19,005	\$ 23,802	\$ 18,583

See footnotes on page 17.

Nine Months Ended September 30, 2000

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Total revenues	\$ 609,679	\$ 351,585	\$ 130,664	\$ 112,165	\$ --	\$ 15,265

Total expenses	340,608	197,729	53,859	59,119	--	29,901
Operating income	269,071	153,856	76,805	53,046	--	(14,636)
Income applicable to Alexander's	7,463	--	--	--	--	7,463(6)
Income from partially-owned entities	74,447	22,588	987	4,752	24,684(4)	21,436
Interest and other investment income	18,269	2,661	--	719	--	14,889
Interest and debt expense	(121,240)	(44,830)	(33,133)	(27,860)	--	(15,417)
Net gain on sale of real estate	10,965	8,405	2,560	--	--	--
Minority interest	(75,582)	(43,419)	(13,667)	(10,226)	(8,234)	(36)
Income before extraordinary item	183,393	99,261	33,552	20,431	16,450	13,699
Extraordinary item	(1,125)	--	(1,125)	--	--	--
Net income	182,268	99,261	32,427	20,431	16,450	13,699
Extraordinary item	1,125	--	1,125	--	--	--
Minority interest	75,582	43,419	13,667	10,226	8,234	36
Net gain on sale of real estate	(10,965)	(8,405)	(2,560)	--	--	--
Interest and debt expense(3)	189,818	71,064	35,078	27,860	20,946	34,870
Depreciation and Amortization(3)	120,355	55,559	14,177	14,792	24,422	11,405
Straight-lining of rents(3)	(24,141)	(15,817)	(1,977)	(4,523)	(985)	(839)
Other	6,964	(252)	269	--	358	6,589
EBITDA(1)	\$ 541,006	\$ 244,829	\$ 92,206	\$ 68,786	\$ 69,425	\$ 65,760

Nine Months Ended September 30, 1999

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Total revenues	\$ 513,307	\$ 275,853	\$ 127,684	\$ 102,711	\$ --	\$ 7,059
Total expenses	294,174	165,045	53,202	56,441	--	19,486
Operating income	219,133	110,808	74,482	46,270	--	(12,427)
Income applicable to Alexander's	4,951	--	--	--	--	4,951
Income from partially-owned entities	58,295	13,613	640	1,201	27,962	14,879
Interest and other investment income	12,580	1,292	--	566	--	10,722
Interest and debt expense	(105,986)	(35,444)	(21,603)	(21,331)	--	(27,608)
Net gain on sale of real estate	--	--	--	--	--	--
Minority interest	(35,209)	(16,162)	(9,422)	(4,703)	(4,922)	--
Income before extraordinary item	153,764	74,107	44,097	22,003	23,040	(9,483)
Extraordinary item	--	--	--	--	--	--
Net income	153,764	74,107	44,097	22,003	23,040	(9,483)
Extraordinary item	--	--	--	--	--	--
Minority interest	35,209	16,162	9,422	4,703	4,922	--
Net gain on sale of real estate	--	--	--	--	--	--
Interest and debt expense(3)	167,907	59,171	23,568	21,331	20,090	43,747
Depreciation and amortization(3)	101,895	45,877	12,528	12,641	23,603	7,246
Straight-lining of rents(3)	(20,065)	(13,118)	(2,001)	(3,504)	(1,171)	(271)
Other	1,227	(42)	--	--	(252)(5)	1,521
EBITDA(1)	439,937	\$ 182,157	\$ 87,614	\$ 57,174	\$ 70,232	\$ 42,760

September 30, 2000

Balance sheet data:

Real estate, net...	\$3,679,256	\$2,230,645	\$551,306	\$797,177	\$ --	\$100,128
Investments and advances to partially-owned entities	1,455,974	392,757	2,449	45,052	504,494	511,222

Balance sheet data:

Real estate, net...	\$3,612,965	\$2,208,510	\$575,633	\$753,416	\$	--	\$ 75,406
Investments and advances to partially-owned entities	1,315,387	382,417	3,057	32,524	481,808		415,581

See footnotes on the next page.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Notes to segment information:

- (1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Other includes primarily (i) the operations of the Company's warehouse and industrial properties, (ii) investments in the Hotel Pennsylvania, Alexander's, and Newkirk Joint Ventures, (iii) corporate general and administrative expenses and (iv) unallocated investment income and interest and debt expense.
- (3) Interest and debt expense, depreciation and amortization and straight-lining of rents included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.
- (4) Net of \$2,880 and \$5,280 of rent in the three and nine months ended September 30, 2000 not recognized as income.
- (5) Includes the reversal of income taxes (benefit for the nine months ended September 30, 1999) which are considered non-recurring because of the expected conversion of the Temperature Controlled Logistics Companies to REITs.
- (6) Net of \$2,272, the Company's share of Alexander's stock appreciation rights expense.

11. SUBSEQUENT EVENTS

On October 2, 2000, the Company acquired the 720,000 square foot Gift and Furniture Mart building in Los Angeles and its 9.3 acre site. The purchase price was approximately \$54,000,000 of which \$10,000,000 was indebtedness.

On November 1, 2000, the Company acquired 7 W. 34th Street, a Manhattan office building containing approximately 425,000 square feet, for \$128,000,000.

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

(All of the amounts presented are in thousands, except share amounts and percentages)

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. Certain factors could cause actual results to differ materially from those in the forward-looking statements. Factors that might cause such a material difference include, but are not limited to, (a) changes in the general economic climate, (b) local conditions such as an oversupply of space or a reduction in demand for real estate in the area, (c) conditions of tenants, (d) competition from other available space, (e) increased operating costs and interest expense, (f) the timing of and costs associated with property improvements, (g) changes in taxation or zoning laws, (h) government regulations, (i) failure of Vornado to continue to qualify as a REIT, (j) availability of financing on acceptable terms, (k) potential liability under environmental or other laws or regulations, and (l) general competitive factors.

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RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2000 AND SEPTEMBER 30, 1999

Below is a summary of net income and EBITDA by segment for the three months ended September 30, 2000 and 1999:

For The Three Months Ended September 30, 2000						
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(3)
Total revenues	\$ 215,655	\$ 129,165	\$ 43,969	\$ 37,212	\$ --	\$ 5,309
Total expenses	121,030	73,286	16,596	19,010	--	12,138
Operating income	94,625	55,879	27,373	18,202	--	(6,829)
Income applicable to Alexander's ...	1,306	--	--	--	--	1,306(6)
Income from partially-owned entities	26,808	7,201	318	1,371	8,344(4)	9,574
Interest and other investment income	7,571	2,030	--	319	--	5,222
Interest and debt expense	(42,558)	(16,850)	(8,477)	(9,955)	--	(7,276)
Net gain on sale of real estate	8,405	8,405	--	--	--	--
Minority interest	(28,038)	(16,059)	(4,817)	(3,899)	(3,257)	(6)
Net income	68,119	40,606	14,397	6,038	5,087	1,991
Minority interest	28,038	16,059	4,817	3,899	3,257	6
Net gain on sale of real estate	(8,405)	(8,405)	--	--	--	--
Interest and debt expense (2)	65,196	24,912	9,124	9,955	6,909	14,296
Depreciation and amortization (2)	40,046	19,260	4,392	4,744	8,088	3,562
Straight-lining of rents (2)	(10,360)	(6,531)	(591)	(1,759)	(176)	(1,303)
Other	2,983	(252)	269	--	(451)	3,417
EBITDA(1)	\$ 185,617	\$ 85,649	\$ 32,408	\$ 22,877	\$ 22,714	\$ 21,969

For the Three Months Ended September 30, 1999						
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(3)
Total revenues	\$ 182,821	\$ 100,701	\$ 43,318	\$ 35,622	\$ --	\$ 3,180
Total expenses	103,804	61,248	18,161	19,352	--	5,043
Operating income	79,017	39,453	25,157	16,270	--	(1,863)
Income applicable to Alexander's ...	1,610	--	--	--	--	1,610
Income (loss) from partially-owned entities	18,717	5,029	217	(703)	7,466	6,708
Interest and other investment income	4,222	436	--	199	--	3,587
Interest and debt expense	(35,085)	(13,185)	(5,486)	(8,166)	--	(8,248)
Minority interest	(14,322)	(6,808)	(4,126)	(1,693)	(1,695)	--
Net income	54,159	24,925	15,762	5,907	5,771	1,794
Minority interest	14,322	6,808	4,126	1,693	1,695	--
Interest and debt expense (2)	58,870	22,465	6,139	8,166	6,532	15,568
Depreciation and amortization (2)	36,045	16,460	4,144	4,463	7,591	3,387
Straight-lining of rents (2)	(7,532)	(4,503)	(684)	(1,224)	(544)	(577)
Other	1,126	(42)	--	--	2,757(5)	(1,589)
EBITDA (1)	\$ 156,990	\$ 66,113	\$ 29,487	\$ 19,005	\$ 23,802	\$ 18,583

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

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

(3) Other includes primarily (i) the operations of the Company's warehouse and industrial properties, (ii) investment in the Hotel Pennsylvania, Alexander's and Newkirk Joint Ventures, (iii) corporate general and administrative expenses and (iv) unallocated investment income and interest

and debt expense.

- (4) Net of \$2,880 of rent not recognized as income.
- (5) Includes the reversal of income taxes which are considered non-recurring because of the expected conversion of the Temperature Controlled Logistics Companies to REITs.
- (6) Net of \$1,947, the Company's share of Alexander's stock appreciation rights expense.

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

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
	-----	-----	-----	-----	-----	-----
Three months ended						
September 30, 1999.....	\$ 156,990	\$ 66,113	\$ 29,487	\$ 19,005	\$ 23,802	\$ 18,583
2000 Operations:						
Same store operations(1)..	18,087	13,041	1,537	3,472	(1,088)(2)	1,125
Acquisitions and other....	10,540	6,495	1,384	400	--	2,261
	-----	-----	-----	-----	-----	-----
Three months ended						
September 30, 2000.....	\$ 185,617	\$ 85,649	\$ 32,408	\$ 22,877	\$ 22,714	\$ 21,969
	=====	=====	=====	=====	=====	=====
% increase in same store operations.....	11.5%	19.7%	5.2%	18.3%	(4.6%)(2)	6.0%

(1) Represents operations, which were owned for the same period in each year.

(2) Subsequent to March 12, 1999 (date the operations of the AmeriCold Logistics Company were sold), the Company reflects its 60% share of the Vornado/Crescent Partnerships' ("the Landlord") equity in the rental income it receives from AmeriCold Logistics Company, its tenant, which leases the underlying temperature controlled warehouses used in its business. Prior to that date the Company reflected its equity in the operations.

Total rent was \$42,617 and \$128,728 for the third quarter and the nine months ended September 30, 2000, of which the tenant deferred \$4,800 and \$11,500. As at September 30, 2000, the balance of the tenant's deferred rent is as follows:

	Total	The Company's Share
	-----	-----
2000:		
Quarter ended September 30	\$ 4,800	\$ 2,880
Quarter ended June 30	6,700	4,020
	-----	-----
	11,500	6,900
1999:		
Quarter ended December 31	5,400	3,240
	-----	-----
	\$ 16,900	\$ 10,140
	=====	=====

Based on the Company's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize \$2,880 of income from this tenant in the quarter ended September 30, 2000 and \$5,280 in the nine months ended September 30, 2000. The Company and this tenant are in discussions regarding the restructuring of the leases.

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Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were \$215,655 in the three months ended September 30, 2000, compared to \$182,821 in the prior year's quarter, an increase of \$32,834. This increase by segment resulted from:

	Date of Acquisition/ Disposition -----	Total -----	Office -----	Retail -----	Merchandise Mart -----	Other -----
Property Rentals:						
Acquisitions:						
909 Third Avenue	July 99	\$ 1,653	\$ 1,653	\$ --	\$ --	\$ --
595 Madison Avenue.....	September 1999	3,003	3,003	--	--	--
Hotel Pennsylvania.....	August 1999	1,577	--	--	--	1,577
Student Housing Complex.....	January 2000	1,130	--	--	--	1,130
33 N. Dearborn Street.....	September 2000	149	--	--	149	--
		-----	-----	-----	-----	-----
		7,512	4,656	--	149	2,707
Dispositions:						
Texas shopping centers.....	March 2000	(1,074)	--	(1,074)	--	--
Westport, CT property.....	August 2000	(257)	(257)	--	--	--
Leasing activity		18,380	15,816	1,498	2,277	(1,211)
Total increase in property rentals		-----	-----	-----	-----	-----
		24,561	20,215	424	2,426	1,496
Tenant expense reimbursements:						
Increase in tenant expense reimbursements due to acquisitions		5,690	5,382	--	48	260
Other		1,543	2,711	(282)	(1,102)	216
Total increase in tenant expense reimbursements		-----	-----	-----	-----	-----
		7,233	8,093	(282)	(1,054)	476
Other income		1,040	156	509	218	157
Total increase in revenues		-----	-----	-----	-----	-----
		\$32,834	\$28,464	\$ 651	\$ 1,590	\$ 2,129
		=====	=====	=====	=====	=====

See Supplemental Information on page 29.

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Expenses

The Company's expenses were \$121,030 in the three months ended September 30, 2000 compared to \$103,804 in the prior year's quarter, an increase of \$17,226. This increase by segment resulted from:

	Total -----	Office -----	Retail -----	Merchandise Mart -----	Other -----
Operating:					
Acquisitions	\$ 7,572	\$ 5,981	\$ --	\$ 106	\$ 1,485
Same store operations	275	3,221	(1,982)	(390)	(574)
	-----	-----	-----	-----	-----
	7,847	9,202	(1,982)	(284)	911
	=====	=====	=====	=====	=====
Depreciation and amortization:					
Acquisitions	1,098	569	--	21	508
Same store operations	2,699	1,918	716	260	(195)
	-----	-----	-----	-----	-----
	3,797	2,487	716	281	313
General and administrative	5,582	349	(299)	(339)	\$ 5,871(1)
	-----	-----	-----	-----	-----
	\$ 17,226	\$ 12,038	\$ (1,565)	\$ (342)	\$ 7,095
	=====	=====	=====	=====	=====

(1) This increase resulted primarily from amounts earned under a deferred compensation arrangement, higher payroll and professional fees.

Income applicable to Alexander's (loan interest income, equity in income and depreciation) was \$1,306 in the three months ended September 30, 2000 compared to \$1,610 in the prior year's quarter, a decrease of \$304. This

decrease resulted primarily from the Company's share of Alexander's stock appreciation rights compensation expense of \$1,947 in the three months ended September 30, 2000 based on Alexander's closing stock price of \$81.75 at September 30, 2000, partially offset by interest income on higher outstanding loan balances to Alexander's.

Income from partially-owned entities was \$26,808 in the three months ended September 30, 2000, compared to \$18,717 in the prior year's quarter, an increase of \$8,091. This increase by segment resulted from:

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
	-----	-----	-----	-----	-----	-----
Increase (decrease) in equity in income:						
Temperature Controlled Logistics	\$ 878(1)	\$ --	\$ --	\$ --	\$ 878(1)	\$--
CESCR	1,237	1,237	--	--	--	--
Newkirk Joint Ventures	2,909	--	--	--	--	2,909
Hotel Pennsylvania	1,081(2)	--	--	--	--	1,081(2)
Partially-owned office buildings	224	224	--	--	--	--
Other	1,762	711	101	2,074	--	(1,124)
	-----	-----	-----	-----	-----	-----
	\$ 8,091	\$ 2,172	\$ 101	\$ 2,074	\$ 878	\$ 2,866
	=====	=====	=====	=====	=====	=====

(1) Net of \$2,880 of rent not recognized as income for the three months ended September 30, 2000.

(2) Reflects the elimination of the Company's equity in income of the commercial portion of the Hotel Pennsylvania which was wholly-owned as of August 5, 1999, and accordingly consolidated.

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Interest and other investment income (interest income on mortgage loans receivable, other interest income, dividend income and net gains on sale of marketable securities) was \$7,571 for the three months ended September 30, 2000 compared to \$4,222 in the prior year's quarter, an increase of \$3,349. This increase resulted primarily from higher average investments this year.

Interest and debt expense was \$42,558 for the three months ended September 30, 2000, compared to \$35,085 in the prior year's quarter, an increase of \$7,473. This increase is primarily due to higher interest rates during the period.

Net gain on sale of real estate of \$8,405 resulted from the sale of the Company's Westport, Connecticut office property on August 30, 2000 for \$24,000.

Minority interest was \$28,038 for the three months ended September 30, 2000, compared to \$14,322 in the prior year's quarter, an increase of \$13,716. The increase is primarily due to the issuance of perpetual preferred units.

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NINE MONTHS ENDED SEPTEMBER 30, 2000 AND SEPTEMBER 30, 1999

For The Nine Months Ended September 30, 2000

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other (3)
	-----	-----	-----	-----	-----	-----
Total revenues	\$ 609,679	\$ 351,585	\$ 130,664	\$ 112,165	\$ --	\$ 15,265
Total expenses	340,608	197,729	53,859	59,119	--	29,901

Operating income	269,071	153,856	76,805	53,046	--	(14,636)
Income applicable to Alexander's	7,463	--	--	--	--	7,463(6)
Income from partially-owned entities .	74,447	22,588	987	4,752	24,684(4)	21,436
Interest and other investment income .	18,269	2,661	--	719	--	14,889
Interest and debt expense	(121,240)	(44,830)	(33,133)	(27,860)	--	(15,417)
Net gain on sale of real estate	10,965	8,405	2,560	--	--	--
Minority interest	(75,582)	(43,419)	(13,667)	(10,226)	(8,234)	(36)
Income before extraordinary item	183,393	99,261	33,552	20,431	16,450	13,699
Extraordinary item	(1,125)	--	(1,125)	--	--	--
Net income	182,268	99,261	32,427	20,431	16,450	13,699
Extraordinary item	1,125	--	1,125	--	--	--
Minority interest	75,582	43,419	13,667	10,226	8,234	36
Net gain on sale of real estate	(10,965)	(8,405)	(2,560)	--	--	--
Interest and debt expense (2)	189,818	71,064	35,078	27,860	20,946	34,870
Depreciation and amortization (2)	120,355	55,559	14,177	14,792	24,422	11,405
Straight-lining of rents (2)	(24,141)	(15,817)	(1,977)	(4,523)	(985)	(839)
Other	6,964	(252)	269	--	358	6,589
EBITDA (1)	\$ 541,006	\$ 244,829	\$ 92,206	\$ 68,786	\$ 69,425	\$ 65,760

For the Nine Months Ended September 30, 1999

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(3)
Total revenues	\$ 513,307	\$ 275,853	\$ 127,684	\$ 102,711	\$ --	\$ 7,059
Total expenses	294,174	165,045	53,202	56,441	--	19,486
Operating income	219,133	110,808	74,482	46,270	--	(12,427)
Income applicable to Alexander's	4,951	--	--	--	--	4,951
Income from partially-owned entities .	58,295	13,613	640	1,201	27,962	14,879
Interest and other investment income .	12,580	1,292	--	566	--	10,722
Interest and debt expense	(105,986)	(35,444)	(21,603)	(21,331)	--	(27,608)
Minority interest	(35,209)	(16,162)	(9,422)	(4,703)	(4,922)	--
Net income	153,764	74,107	44,097	22,003	23,040	(9,483)
Minority interest	35,209	16,162	9,422	4,703	4,922	--
Interest and debt expense (2)	167,907	59,171	23,568	21,331	20,090	43,747
Depreciation and amortization (2)	101,895	45,877	12,528	12,641	23,603	7,246
Straight-lining of rents (2)	(20,065)	(13,118)	(2,001)	(3,504)	(1,171)	(271)
Other	1,227	(42)	--	--	(252)(5)	1,521
EBITDA (1)	\$ 439,937	\$ 182,157	\$ 87,614	\$ 57,174	\$ 70,232	\$ 42,760

(1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. Management considers EBITDA a supplemental measure for making decisions and assessing the performance of

its segments. EBITDA may not be comparable to similarly titled measures employed by other companies.

- (2) Interest and debt expense, depreciation and amortization and straight-lining of rents included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.
- (3) Other includes primarily (i) the operations of the Company's warehouse and industrial properties, (ii) investment in the Hotel Pennsylvania, Alexander's and Newkirk Joint Ventures, (iii) corporate general and administrative expenses and (iv) unallocated investment income and interest and debt expense.
- (4) Net of \$5,280 of rent not recognized as income.
- (5) Includes the reversal of income taxes (benefit for the nine months ended September 30, 1999) which are considered non-recurring because of the expected conversion of the Temperature Controlled Logistics Companies to REITs.
- (6) Net \$2,272, of the Company's share of Alexander's stock appreciation rights expense.

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

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
	-----	-----	-----	-----	-----	-----
Nine months ended						
September 30, 1999	\$439,937	\$182,157	\$ 87,614	\$ 57,174	\$ 70,232	42,760
2000 Operations:						
Same store operations(1).....	48,444	31,977	3,758	11,212	(2,323) (2)	3,820
Acquisitions and other	52,625	30,695	834	400	1,516	19,180
	-----	-----	-----	-----	-----	-----
Nine months ended						
September 30, 2000	\$541,006	\$244,829	\$ 92,206	\$ 68,786	\$ 69,425	\$ 65,760
	=====	=====	=====	=====	=====	=====
% increase in same store operations ...	11.0%	17.6%	4.3%	19.6%	(3.3%) (2)	8.9%

(1) Represents operations which were owned for the same period in each year.

(2) Net of \$5,280 of rent not recognized as income.

Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were \$609,679 in the nine months ended September 30, 2000, compared to \$513,307 in the prior year's nine months, an increase of \$96,372. This increase by segment resulted from:

	Date of Acquisition/Disposition	Total	Office	Retail	Merchandise Mart	Other
		-----	-----	-----	-----	-----
Property Rentals:						
Acquisitions:						
888 Seventh Avenue.....	January 1999	\$ 765	\$ 765	\$ --	\$ --	\$ --
909 Third Avenue.....	July 1999	16,223	16,223	--	--	--
595 Madison Avenue.....	September 1999	10,195	10,195	--	--	--
Hotel Pennsylvania.....	August 1999	4,638	--	--	--	4,638
Student Housing Complex.....	January 2000	2,989	--	--	--	2,989
33 N. Dearborn Street.....	September 2000	149	--	--	149	--

		34,959	27,183	--	149	7,627
Dispositions:						
Texas shopping centers....	March 2000	(1,624)	--	(1,624)	--	--
Westport, CT property.....	August 2000	(257)	(257)	--	--	--
Leasing activity.....		45,446	34,274	4,112	7,888	(828)
Total increase in property rentals.....		78,524	61,200	2,488	8,037	6,799
Tenant expense reimbursements:						
Increase in tenant expense reimbursements due to acquisitions.....		9,732	8,921	--	48	763
Other.....		6,490	5,245	23	808	414
Total increase in tenant expense reimbursements....		16,222	14,166	23	856	1,177
Other income.....		1,626	366	469	561	230
Total increase in revenues....		\$ 96,372	\$ 75,732	\$ 2,980	\$ 9,454	\$ 8,206

See Supplemental Information on page 29.

Expenses

The Company's expenses were \$340,608 in the nine months ended September 30, 2000 compared to \$294,174 in the prior year's nine months, an increase of \$46,434. This increase by segment resulted from:

	Total	Office	Retail	Merchandise Mart	Other
Operating:					
Acquisitions	\$ 20,060	\$ 16,099	\$ --	\$ 106	\$ 3,855
Same store operations..	6,971	8,157	(1,008)	483	(661)
	27,031	24,256	(1,008)	589	3,194
Depreciation and amortization:					
Acquisitions.....	4,879	3,345	--	21	1,513
Same store operations...	7,772	4,036	1,549	2,130	57
	12,651	7,381	1,549	2,151	1,570
General and administrative..	6,752	1,047	116	(62)	5,651(1)
	\$ 46,434	\$ 32,684	\$ 657	\$ 2,678	\$ 10,415

(1) This increase resulted primarily from amounts earned under a deferred compensation arrangement, higher payroll and professional fees.

Income applicable to Alexander's (loan interest income, equity in income and depreciation) was \$7,463 in the nine months ended September 30, 2000, compared to \$4,951 in the prior year's nine months, an increase of \$2,512. This increase resulted primarily from interest income on higher outstanding loan balances to Alexander's, partially offset by the Company's share of Alexander's stock appreciation rights compensation expense of \$2,272 in the nine months ended September 30, 2000, based on Alexander's closing stock price of \$81.75 at September 30, 2000.

Income from partially-owned entities was \$74,447 in the nine months ended September 30, 2000, compared to \$58,295 in the prior year's nine months, an increase of \$16,152. This increase by segment resulted from:

	Date of Acquisition -----	Total -----	Office -----	Retail -----	Merchandise Mart -----	Controlled Logistics -----	Other -----
Acquisitions:							
Newkirk Joint Ventures	March 1999	\$ 2,304	\$ --	\$ --	\$ --	\$ --	\$ 2,304
Other	Various	(911)	--	--	--	--	(911)
		-----	-----	-----	-----	-----	-----
		1,393					1,393
Increase (decrease) in equity in income:							
Temperature Controlled							
Logistics		(3,278)(1)	--	--	--	(3,278)(1)	--
CESCR		6,794	6,794	--	--	--	--
Newkirk Joint Ventures		5,034 (2)	--	--	--	--	5,034(2)
Hotel Pennsylvania		1,820 (3)	--	--	--	--	1,820(3)
Partially-owned office buildings		1,152	1,152	--	--	--	--
Other		3,237	1,029	347	3,551	--	(1,690)
		-----	-----	-----	-----	-----	-----
		\$ 16,152	\$ 8,975	\$ 347	\$ 3,551	\$ (3,278)	\$ 6,557
		=====	=====	=====	=====	=====	=====

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- (1) Net of \$5,280 of rent not recognized as income in the nine months ended September 30, 2000.
 - (2) Includes the Company's share of an extraordinary gain of \$652 resulting from the prepayment of debt.
 - (3) Reflects the elimination of the Company's equity in income of the commercial portion of the Hotel Pennsylvania which was wholly-owned as of August 5, 1999 and accordingly consolidated.

Interest and other investment income was \$18,269 for the nine months ended September 30, 2000, compared to \$12,580 in the prior year's nine months, an increase of \$5,689. This increase resulted primarily from higher average investments this year.

Interest and debt expense was \$121,240 for the nine months ended September 30, 2000, compared to \$105,986 prior year's nine months, an increase of \$15,254. This increase resulted primarily from higher average interest rates.

Net gain on sale of real estate of \$10,965, resulted from (i) sale of three Texas shopping center properties on March 2, 2000, for \$25,750, resulting in a gain of \$2,560 and (ii) the sale of the Company's Westport, Connecticut office property on August 30, 2000 for \$24,000, resulting in a gain of \$8,405.

Minority interest was \$75,582 for the nine months ended September 30, 2000, compared to \$35,209 in the prior year's nine months, an increase of \$40,373. This increase is primarily due to the issuance of perpetual preferred units.

The Company incurred an extraordinary loss of \$1,125 in the first quarter of this year due to the write-off of unamortized financing costs in connection with prepayment of debt.

Preferred stock dividends were \$29,017 for the nine months ended September 30, 2000, compared to \$23,765 in the prior year's nine months, an increase of \$5,252. This increase resulted from the issuance of the Company's Series B Cumulative Redeemable Preferred Shares in March 1999 and its Series C Cumulative Redeemable Preferred Shares in May 1999.

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LIQUIDITY AND CAPITAL RESOURCES

Nine Months Ended September 30, 2000

Cash flows provided by operating activities of \$145,148 was primarily comprised of (i) income of \$182,268 and (ii) adjustments for non-cash items of \$32,340, offset by (iii) the net change in operating assets and liabilities of \$77,480 and (iv) the net gain on sale of real estate of \$10,965. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$72,966 and (ii) minority interest of \$75,582, partially offset by (iii) the effect of straight-lining of rental income of \$25,368 and (iv) equity in net income of partially-owned entities and income applicable to Alexander's of \$72,980.

Net cash used in investing activities of \$503,425 was primarily comprised of (i) capital expenditures of \$106,579, (ii) investment in notes and mortgages receivable of \$142,251, (iii) acquisitions of real estate of \$27,360, (iv) investments in partially-owned entities of \$74,694, (v) cash restricted of \$183,379, of which \$173,500 represents funds escrowed in connection with a mortgage financing, partially offset by (vi) proceeds from the sale of real

estate of \$46,832 and distributions from partially-owned entities of \$14,870.

Below are the details of acquisitions of real estate, investments in partially-owned entities, investments in notes and mortgages receivable and capital expenditures.

	Cash	Debt Assumed	Value of Units Issued	Investment
	-----	-----	-----	-----
Acquisitions of Real Estate:				
Student Housing Complex (90% Interest).....	\$ 6,660	\$ 17,640	\$ --	\$ 24,300
33 N. Dearborn Street.....	16,000	19,000	--	35,000
Other.....	4,700	--	--	4,700
	-----	-----	-----	-----
	\$ 27,360	\$ 36,640	\$ --	\$ 64,000
	=====	=====	=====	=====
Investments in Partially-Owned Entities:				
Vornado Ceruzzi Joint Venture (80% interest).....	\$ 18,220	\$ --	\$ --	\$ 18,220
Additional investment in Newkirk.....	1,231	--	6,119	7,350
Loan to Alexander's.....	15,000	--	--	15,000
Funding of Development Expenditures:				
Fort Lee (75% interest).....	9,898	--	--	9,898
Park Laurel (80% interest).....	30,345	--	--	30,345
	-----	-----	-----	-----
	\$ 74,694	\$ --	\$ 6,119	\$ 80,813
	=====	=====	=====	=====
Investments in Notes and Mortgages receivable:				
Loan to NorthStar Partnership L.P.....	\$ 65,000	\$ --	\$ --	\$ 65,000
Loan to Primestone Investment Partners, L.P.....	62,000	--	--	62,000
Advances to Vornado Operating Company.....	15,251	--	--	15,251
	-----	-----	-----	-----
	\$ 142,251	\$ --	\$ --	\$ 142,251
	=====	=====	=====	=====

	Total	New York City Office	Retail	Merchandise Mart	Other
	-----	-----	-----	-----	-----
Capital expenditures:					
Expenditures to maintain the assets.....	\$ 12,735	\$ 8,068	\$ 542	\$ 4,010	\$ 115
Tenant allowances.....	42,808	36,901	2,651	3,044	212
Redevelopment and development expenditures.....	34,293	18,465	1,883	13,945	--
Corporate (primarily relocation of offices).....	16,743	--	--	--	16,743
	-----	-----	-----	-----	-----
	\$ 106,579	\$ 63,434	\$ 5,076	\$ 20,999	\$ 17,070
	=====	=====	=====	=====	=====

Net cash provided by financing activities of \$409,931 was primarily comprised of (i) proceeds from borrowings of \$1,048,036, (ii) proceeds from issuance of preferred units of \$195,847, partially offset by, (iii) repayments of borrowings of \$629,891, (iv) dividends paid on common shares of \$124,501 (v) dividends paid on preferred shares of \$17,907, and (vi) distributions to minority partners of \$53,548.

Cash flows provided by operating activities of \$127,833 was primarily comprised of (i) net income of \$153,764 and (ii) adjustments for non-cash items of \$17,251, offset by (iii) the net change in operating assets and liabilities of \$50,410 (primarily prepaid expenses). The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$60,315 and (ii) minority interest of \$35,209, partially offset by (iii) the effect of straight-lining of rental income of \$23,387 and (iv) equity in net income of partially-owned entities in excess of distributions of \$47,276.

Net cash used in investing activities of \$338,239 was primarily comprised of (i) capital expenditures of \$113,945 (see detail below), (ii) investment in notes and mortgages receivable of \$53,380 (including \$41,200 loan to CAPI and \$18,587 loan to Vornado Operating Company), (iii) acquisitions of real estate of \$182,400 (see detail below) and (iv) investments in partially-owned entities of \$35,845 (see detail below), partially offset by (v) the use of cash restricted for tenant improvements of \$25,785, (vi) proceeds from the sale of Cold Storage assets of \$22,769 and (vii) proceeds from the repayment of mortgage loans receivable of \$14,000 (Vornado Operating Company).

Acquisitions of real estate and investments in partially-owned entities are comprised of:

	Cash	Debt Assumed	Value of Units Issued	Assets Acquired
	-----	-----	-----	-----
Real Estate:				
595 Madison Avenue Office Building.....	\$ 125,000	\$ --	\$ --	\$ 125,000
909 Third Avenue Office Building.....	12,400	109,000	1,600	123,000
888 Seventh Avenue Office Building.....	45,000	55,000	--	100,000
	-----	-----	-----	-----
	\$ 182,400	\$ 164,000	\$ 1,600	\$ 348,000
	=====	=====	=====	=====
Investments in Partially-Owned Entities:				
Charles E. Smith Commercial Realty L.P.:				
Additional investment.....	\$ --	\$ --	\$ 242,000	\$ 242,000
Reacquired units from Vornado Operating Company.....	13,200	--	--	13,200
Crystal City hotel land.....	--	--	8,000	8,000
Additional investment in Newkirk Joint Ventures...	4,645	--	47,790	52,435
Additional 20% investment in Hotel Pennsylvania...	18,000	24,000	--	42,000
	-----	-----	-----	-----
	\$ 35,845	\$ 24,000	\$ 297,790	\$ 357,635
	=====	=====	=====	=====

Capital expenditures were comprised of:

	New York City Office	Retail	Merchandise Mart	Other	Total
	-----	-----	-----	-----	-----
Expenditures to maintain the assets.....	\$ 8,564	\$ 984	\$ 5,433	\$ 4,912	\$ 19,893
Tenant allowances.....	14,604	953	11,294	--	26,851
Redevelopment expenditures.....	43,854	17,745	5,602	--	67,201
	-----	-----	-----	-----	-----
	\$ 67,022	\$ 19,682	\$ 22,329	\$ 4,912	\$113,945
	=====	=====	=====	=====	=====

Net cash provided by financing activities of \$183,350 was primarily comprised of (i) repayments of borrowings of \$394,975, (ii) dividends paid on common shares of \$112,390, (iii) dividends paid on preferred shares of \$21,608, and (iv) distributions to minority partners of \$23,491 partially offset by, (v) proceeds from issuance of preferred shares of \$193,282, (vi) proceeds from issuance of units of \$343,155 and (vii) proceeds from borrowings of \$205,000.

SUPPLEMENTAL INFORMATION

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

	Office		Retail	Merchandise Mart		Temperature Controlled Logistics
	New York City	CESCR(1)		Office(2)	Showroom(2)	
	-----	-----	-----	-----	-----	-----
(square feet and cubic feet in thousands)						
As of September 30, 2000:						
Square feet.....	14,294	4,083	11,960	3,079	4,390	17,943
Cubic feet.....	--	--	--	--	--	450,900
Number of properties.....	22	47	56	8	7	91
Occupancy rate.....	97%	98%	94%	93%	97%	95%
Leasing Activity:						
For the three months ended September 30, 2000:						
Square Feet.....	249	159	107	43	185	--
Rent per Square Foot:						
Initial rent (3).....	\$ 49.80	\$ 29.20	\$ 14.49	\$ 26.00	\$ 18.20	--
Prior escalated rent.....	\$ 35.82	\$ 26.70	\$ 12.90	\$ 17.58	\$ 13.28	--
Percentage increase.....	39%	9%	12%	48%	37%	--

For the nine months ended September 30, 2000:						
Square Feet.....	1,024	592	557(4)	60	532	--
Rent per Square Foot:						
Initial rent (3).....	\$ 45.25	\$ 28.71	\$ 17.14	\$ 24.87	\$ 20.41	--
Prior escalated rent.....	\$ 31.43	\$ 26.03	\$ 14.01	\$ 21.11	\$ 16.91	--
Percentage increase.....	44%	10%	22%(4)	18%	21%	--
As of June 30, 2000:						
Square feet.....	14,200	3,943	11,960	2,739	4,317	18,073
Cubic feet.....	--	--	--	--	--	454,500
Number of properties.....	22	44	56	7	7	92
Occupancy rate.....	97%	98%	94%	89%	99%	95%
As of March 31, 2000:						
Square feet.....	14,200	3,782	11,960	2,739	4,317	17,770
Cubic feet.....	--	--	--	--	--	455,000
Number of properties.....	22	40	56	7	7	90
Occupancy rate.....	95%	95%	93%	88%	99%	95%
As of December 31, 1999:						
Square feet.....	14,028	3,623	11,960	2,414	4,174	16,998
Cubic feet.....	--	--	--	--	--	428,300
Number of properties.....	22	39	56	7	7	89
Occupancy rate.....	95%	99%	92%	93%	98%	95%
As of September 30, 1999:						
Square feet.....	12,479	3,620	12,133	2,322	4,457	16,687
Cubic feet.....	--	--	--	--	--	423,100
Number of properties.....	21	38	59	7	7	87
Occupancy rate.....	92%	98%	93%	95%	96%	92%

(1) Represents the Company's 34% interest.

(2) The office and showroom space is contained in the same mixed-use properties.

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

(4) Includes an increase in rent of \$1,200 per annum to \$4,600 per annum from the extension of Bradlees' 232 square foot lease at the 14th Street and Union Square property. Excluding the effect of this increase in rent the initial rent would be \$15.22, a 12% increase over the prior escalated rent.

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Funds from Operations for the Three and Nine Months Ended September 30, 2000 and 1999

Funds from operations was \$84,629 in the three months ended September 30, 2000, compared to \$76,462 in the prior year's quarter, an increase of \$8,167. Funds from operations was \$247,808 in the nine months ended September 30, 2000, compared to \$216,876 in the prior year's nine months, an increase of \$30,932. The following table reconciles funds from operations and net income:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2000	1999	2000	1999
Net income applicable to common shares.....	\$ 58,447	\$ 44,487	\$ 153,251	\$ 129,999
Extraordinary item.....	--	--	1,125	--
Depreciation and amortization of real property.....	24,587	21,623	71,665	59,320
Straight-lining of property rentals for rent escalations.....	(9,429)	(6,467)	(22,466)	(18,317)
Leasing fees received in excess of income recognized.....	409	727	1,379	1,528
Appreciation of securities held in officer's deferred compensation trust.....	2,183	(2,007)	3,673	(340)
Net gain on sale of real estate.....	(8,405)	--	(10,965)	--
Gain on sale of securities available for sale.....	--	--	--	(383)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations.....	14,820	16,492	45,196	40,346
Minority interest in excess of preferential distributions.....	(3,405)	(3,815)	(11,317)	(6,122)
	79,207	71,040	231,541	206,031
Series A preferred shares.....	5,422	5,422	16,267	10,845
	\$ 84,629	\$ 76,462	\$ 247,808	\$ 216,876
	=====	=====	=====	=====

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2000	1999	2000	1999
Weighted average shares used for determining diluted income per share.....	89,713	87,489	88,624	87,338
Series A preferred shares.....	8,018	8,018	8,018	5,345
Shares used for determining diluted funds from operations per share.....	97,731	95,507	96,642	92,683

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Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures reported by other REITs since a number of REITs, including the Company, calculate funds from operations in a manner different from that used by the National Association of Real Estate Investment Trusts ("NAREIT"). Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified from this definition to adjust for (i) the effect of straight-lining of property rentals for rent escalations and leasing fee income (ii) the reversal of income taxes (benefit for the period ended September 30, 1999) which is considered non-recurring because of the expected conversion of the Temperature Controlled Logistics Companies to REITs, and (iii) the exclusion of a reduction in interest expense in 2000 resulting from the amortization of the excess of fair value of Newkirk Joint Venture limited partnership's debt over its face amount at date of acquisition.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2000	1999	2000	1999
Operating activities.....	\$ 40,597	\$ 41,037	\$ 145,148	\$ 127,833
Investing activities.....	\$ (382,569)	\$ (195,919)	\$ (494,495)	\$ (338,239)
Financing activities.....	\$ 407,119	\$ 234,120	\$ 409,931	\$ 183,350

The Company is currently engaged in planning development and redevelopment projects in the Penn Plaza area in which it owns approximately 6,700,000 square feet of office, retail and hotel space. These projects include the redevelopment of the Hotel Pennsylvania, the redevelopment of retail space and the creation of new retail space at Two Penn Plaza, the development of retail space at the GreenPoint site adjacent to One Penn Plaza, and the redevelopment of two prime retail sites, one at the corner of 34th Street and Seventh Avenue and the other at the corner of 34th Street and Eighth Avenue. Three of these projects, which will take one to two years to complete, are expected to commence in the next twelve months: (i) the construction of approximately 40,000 square feet of retail space and the redevelopment of 48,000 square feet of existing retail space at Two Penn Plaza, (ii) the demolition of existing buildings at 34th Street and 7th Avenue and the construction of 40,000 square feet of retail space and 140,000 square feet of office space and (iii) the redevelopment of an existing building at the Green Point site adjacent to One Penn Plaza and

construction of approximately 60,000 square feet of retail space. The estimated capital required for these projects is approximately \$160,000.

In addition, the construction of 435,000 square feet of new showrooms in High Point North Carolina has commenced. This project is estimated to cost \$40,000 (approximately \$4,000 has been expended through September 30, 2000) and is expected to be completed in Fall 2001.

No cash requirements have been budgeted for the development or redevelopment projects of Alexander's or CESC, which are partially-owned by the Company. These investees are expected to fund their own cash requirements.

Financings

On March 1, 2000, the Company completed a \$500 million private placement of 10-year, 7.93% mortgage notes, cross-collateralized by 42 shopping center properties, resulting in net proceeds of approximately \$490 million. In connection therewith, the Company repaid \$228 million of existing mortgage debt scheduled to mature on December 1, 2000 and \$262 million outstanding under its revolving credit facility.

On March 1, 2000, the Company refinanced its Two Park Avenue office building for \$90 million. On such date, the Company received proceeds of \$65 million and repaid the then existing debt in the same amount. The balance of the proceeds was received on April 18, 2000. The new 3-year debt matures on February 28, 2003 and bears interest at LIBOR + 1.45% (8.09% at September 30, 2000).

On March 21, 2000, the Company renewed its \$1 billion revolving credit facility for an additional three years. The covenants of the facility include, among others, maximum loan to value ratio, minimum debt service coverage and minimum capitalization requirements. Interest is at LIBOR plus .90% (7.54% at September 30, 2000). The Company paid origination fees of \$6.7 million and pays a commitment fee quarterly, over the remaining term of the facility of .15% per annum on the facility amount.

On August 11, 2000, the Company completed a \$173,500 mortgage financing, cross-collateralized by its 770 Broadway and 595 Madison Avenue office buildings. The loan bears interest at LIBOR + .40% (7.04% at September 30, 2000) and matures on August 1, 2002. At September 30, 2000, the proceeds of the loan are in a restricted cash account, which bears interest at the same rate as the loan.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

At September 30, 2000 the Company's exposure to a change in interest rates on its wholly-owned and partially-owned debt is as follows:

(amounts in thousands except per share amounts)

	Balance	Weighted Average Interest Rate	Effect of 1% Increase In Base Rates
	-----	-----	-----
Wholly-owned debt:			
Variable rate.....	\$1,448,173	7.93%	\$ 12,747(1)
Fixed rate.....	1,055,416	7.61%	--
	-----		-----
	\$2,503,589		12,747
	=====		-----
Partially-owned debt:			
Variable rate.....	\$ 191,418	8.27%	1,914
Fixed rate.....	1,057,990	7.73%	--
	-----		-----
	\$1,249,408		1,914
	=====		-----
Minority interest.....			(2,140)

Total decrease in the Company's annual net income.....			\$ 12,521
			=====
Per share-diluted.....			\$.14
			=====

- (1) Excludes the effect of a \$173,500 mortgage financing, cross-collateralized by the Company's 770 Broadway and 595 Madison Avenue office buildings, as the proceeds are in a restricted mortgage escrow account which bears interest at the same rate as the loan.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits required by Item 601 of Regulation S-K are incorporated herein by reference and are listed in the attached Exhibit Index.
- (b) Reports on Form 8-K

During the quarter ended September 30, 2000, Vornado Realty Trust filed no reports on Form 8-K.

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SIGNATURES

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

VORNADO REALTY TRUST

 (Registrant)

Date: November 2, 2000

By: /s/ Irwin Goldberg

 IRWIN GOLDBERG
 Vice President, Chief Financial Officer

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EXHIBIT INDEX

EXHIBIT NO.

- 3.1 -- Amended and Restated Declaration of Trust of Vornado, amended April 3, 1997--Incorporated by reference to Exhibit 3.1 of Vornado's Registration Statement on Form S-8 (File No. 333-29011), filed on June 12, 1997..... *
- 3.2 -- Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 - Incorporated by reference to Exhibit 3.2 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000..... *
- 3.3 -- Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated April 22, 1998 (File No. 001-11954), filed on April 28, 1998..... *
- 3.4 -- Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of

Assessments and Taxation of Maryland on November 24, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000..... *

- 3.5 -- Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000. *
- 3.6 -- Articles Supplementary Classifying Vornado's \$3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share - Incorporated by reference to Exhibit 4.1 of Vornado's Current Report on Form 8-K, dated April 3, 1997 (File No. 001-11954), filed on April 8, 1997..... *
- 3.7 -- Articles Supplementary Classifying Vornado's Series D-1 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value (the "Series D-1 Preferred Shares") - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998..... *
- 3.8 -- Articles Supplementary Classifying Additional Series D-1 Preferred Shares - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999..... *
- 3.9 -- Articles Supplementary Classifying 8.5% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999..... *
- 3.10 -- Articles Supplementary Classifying Vornado's Series C Preferred Shares - Incorporated by reference to Exhibit 3.7 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed on May 19, 1999..... *

* Incorporated by reference

EXHIBIT
NO.

- 3.11 -- Articles Supplementary Classifying Vornado Realty Trust's Series D-2 Preferred Shares, dated as of May 27, 1999, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999..... *
- 3.12 -- Articles Supplementary Classifying Vornado's Series D-3 Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..... *
- 3.13 -- Articles Supplementary Classifying Vornado's Series D-4 Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..... *
- 3.14 -- Articles Supplementary Classifying Vornado's Series D-5 Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999..... *
- 3.15 -- Articles Supplementary to Declaration of Trust of Vornado Realty Trust with respect to the Series D-6 Preferred Shares, dated May 1, 2000, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed May 19, 2000..... *
- 3.16 -- Articles Supplementary to Declaration of Trust of Vornado Realty Trust with respect to the Series D-7 Preferred Shares, dated May 25, 2000, as filed with the State Department of Assessments and Taxation of Maryland on June 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954) filed on June 16, 2000..... *
- 3.17 -- Amended and Restated Bylaws of Vornado, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 1-11954), filed on March 9, 2000..... *
- 3.18 -- Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of October 20, 1997 - Incorporated by reference to Exhibit 3.4 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1997 filed on March 31, 1998 (the "1997 10-K").... *
- 3.19 -- Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 16, 1997--Incorporated by reference to Exhibit 3.5 of the 1997 10-K. *
- 3.20 -- Second Amendment to Second Amendment and Restated Agreement of Limited Partnership of the

Operating Partnership of the Operating Partnership, dated as of April 1, 1998 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998..... *

3.21 -- Third Amendment to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998..... *

* Incorporated by reference

EXHIBIT
NO.

3.22 -- Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 1, 1998 (File No. 001-11954), filed on February 9, 1999..... *

3.23 -- Exhibit A, dated as of December 22, 1998, to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999..... *

3.24 -- Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999... *

3.25 -- Exhibit A to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of March 11, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999..... *

3.26 -- Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999..... *

3.27 -- Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999..... *

3.28 -- Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999..... *

3.29 -- Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..... *

3.30 -- Tenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..... *

3.31 -- Eleventh Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999..... *

* Incorporated by reference

EXHIBIT
NO.

3.32 -- Twelfth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's

- 3.33 -- Thirteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000.... *
- 4.1 -- Instruments defining the rights of security holders (see Exhibits 3.1 through 3.33 of this Quarterly Report on Form 10-Q)
- 4.2 -- Indenture dated as of November 24, 1993 between Vornado Finance Corp. and Bankers Trust Company, as Trustee - Incorporated by reference to Vornado's current Report on Form 8-K dated November 24, 1993 (File No. 001-11954), filed December 1, 1993..... *
- 4.3 -- Specimen certificate representing Vornado's Common Shares of Beneficial Interest, par value \$0.04 per share - Incorporated by reference to Exhibit 4.1 of Amendment No. 1 to Registration Statement on Form S-3 (File No. 33-62395), filed on October 26, 1995..... *
- 4.4 -- Specimen certificate representing Vornado's \$3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share - Incorporated by reference to Exhibit 4.2 of Vornado's Current Report on Form 8-K, dated April 3, 1997 (File No. 001-11954), filed on April 8, 1997..... *
- 4.5 -- Specimen certificate evidencing Vornado's Series B 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest - Incorporated by reference to Exhibit 4.2 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed on March 15, 1999..... *
- 4.6 -- Specimen certificate evidencing Vornado's 8.5% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preferences \$25.00 per share, no par value - Incorporated by reference to Exhibit 4.2 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed May 19, 1999..... *
- 27 -- Financial Data Schedule

* Incorporated by reference

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Section 2: EX-27 (FINANCIAL DATA SCHEDULE)

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(amounts in thousands except per share amounts)
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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-PROVISION>	1,823
-EXPENSE>	183,393
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-TAX>	183,393
-CONTINUING>	0
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	1,125
	0
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-BASIC>	1.77
-DILUTED>	1.73

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