Section 1: 10-K405 (FORM 10-K)

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EXHIBIT INDEX ON PAGE 69

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

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

For the Fiscal Year Ended: DECEMBER 31, 1997

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: 000-22635

VORNADO REALTY L.P.

(Exact name of Registrant as specified in its charter)

DELAWARE	13-3925979
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
PARK 80 WEST, PLAZA II, SADDLE BROOK, NEW JERSEY	07663
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number including area code: (201) 587-1000

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement of Vornado Realty Trust for the annual meeting of shareholders to be held on May 27, 1998 is incorporated by reference into Part III.

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(1) These items are omitted because Vornado Realty Trust (see Item 1.) will file a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors with the Securities and Exchange Commission not later than 120 days after December 31, 1997, which is incorporated by reference herein. Information relating to Executive Officers of Vornado Realty Trust appears on page 24 of this Annual Report on Form 10-K.

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 Realty Trust 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.

PART I

ITEM 1. BUSINESS

THE COMPANY

Vornado Realty L.P. (the "Operating Partnership," including the operations of Vornado Realty Trust prior to the conversion described below) is a Delaware limited partnership. Operations commenced on April 15, 1997, when Vornado Realty Trust ("Vornado") a fully-integrated real estate investment trust ("REIT"), converted to an Umbrella Partnership REIT (UPREIT) by transferring substantially all of its assets to the Operating Partnership. Vornado is the sole general partner of the Operating Partnership and owns a 92.7% limited partnership interest at December 31, 1997. As a result of such conversion, Vornado's activities are conducted through the Operating Partnership. All references to the "Company" refer to Vornado and its consolidated subsidiaries, including the Operating Partnership.

The Company currently owns directly or indirectly:

(i) 59 shopping center properties in seven states and Puerto Rico containing approximately 12.4 million square feet, including 1.4 million square feet built by tenants on land leased from the Company;

(ii) all or portions of 14 office building properties in the New York City metropolitan area (primarily Manhattan) containing approximately 8.4 million square feet;

(iii) eight warehouse/industrial properties in New Jersey containing approximately 2.0 million square feet;

(iv) approximately 29.3% of the outstanding common stock of Alexander's, Inc., which has nine properties in the New York City metropolitan area;

(v) a 60% interest in two partnerships that own Americold Corporation ("Americold") and URS Logistics Inc. ("URS" and, together with Americold, the "Cold Storage Companies"), which collectively own and operate 80 warehouse facilities nationwide with an aggregate of approximately 394 million cubic feet of refrigerated, frozen and dry storage space;

(vi) a 40% interest in the Hotel Pennsylvania, a New York City hotel which contains 800,000 square feet of space with 1,700 rooms and 400,000 square feet of retail and office space;

(vii) a 15% limited partnership interest in Charles E. Smith Commercial Realty L.P., a partnership, which owns interests in and manages approximately 7.2 million square feet of office properties in Crystal City, Arlington, Virginia, a suburb of Washington D.C., and manages an additional 14 million square feet of office and other commercial properties in the Washington, D.C. area; and

(viii) other real estate and investments in mortgages collateralized by various office, restaurant and other retail properties.

In addition, in January 1998, the Company entered into an agreement to acquire a substantial portion of the real estate portfolio of Joseph P. Kennedy Enterprises for approximately $625 million.

OBJECTIVES AND STRATEGY

The Company's business objective is to maximize shareholder value. The Company intends to achieve its business objective by continuing to pursue its investment philosophy, making opportunistic investments and executing its operating strategies through:

- Maintaining a superior team of operating and investment professionals and an opportunistic entrepreneurial spirit;

- Continuing to invest in quality office properties in selected markets where the Company believes there is high likelihood of capital appreciation;

- Continuing to invest in retail properties in selected understored locations such as the New York metropolitan area; and

- Investing in fully integrated operating companies that have a significant real estate component.

Presently, the Company executes its strategy through the following functional groups:

- The Company's office property group is based in New York City. It seeks to acquire and operate quality office properties in select geographic areas where there is significant potential for higher rents or increased cash flow through redevelopment.

- The Company's retail property group is based in Saddle Brook, New Jersey. It seeks to maintain high tenant occupancy rates and strong rent levels by providing quality service and having retail properties in understored geographic areas, such as the New York metropolitan area. It also seeks to acquire additional properties in these areas.

- The Company seeks to invest in integrated operating companies having a significant real estate based component and qualified, experienced operating management. The Company believes that by participating with operating management in strategic decision making and by providing access to efficient growth capital, it can enhance profitability.

The Company expects to continue to utilize the capital markets to finance its growth, acquisitions and investments.

ACQUISITIONS

Since January 1, 1997, the Company completed approximately $2.6 billion of real estate acquisitions or investments. In addition, approximately $900 million of acquisitions are currently pending; however, there can be no assurance that such acquisitions will ultimately be completed. The following table lists in chronological order the acquisitions or investments:

COMPLETED:	LOCATION	TOTAL CONSIDERATION (IN MILLIONS)
The Mendik Transaction	New York City	$ 656
Montehiedra Town Center	San Juan, Puerto Rico	74
90 Park Avenue	New York City	185
Riese Transactions	New York City	67
Hotel Pennsylvania	New York City	64
20 Broad Street Mortgage	New York City	27
Charles E. Smith Commercial Realty Investments	Washington, D.C.	60
Cold Storage	Throughout the United States	600
Arbor Property Trust (Green Acres Mall)	Long Island, New York	225
640 Fifth Avenue	New York City	64
One Penn Plaza	New York City	410
150 East 58th Street	New York City	118
Other		30
Total Completed Acquisitions		2,580
PENDING:		
Kennedy Properties	Chicago & Washington, D.C.	625
YMCA Development	New York City	64
Las Catalinas Mall	Caguas, Puerto Rico	68
Hotel Pennsylvania -- additional investment	New York City	70
Cold Storage Freezer Services, Inc	Midwestern section of the United States	80
Total Pending Acquisitions		907
Total Acquisitions		$3,487

COMPLETED ACQUISITIONS

Mendik Transaction

In April 1997, Vornado consummated the acquisition of interests in all or a portion of seven Manhattan office buildings and the management company held by Bernard H. Mendik, David R. Greenbaum and certain entities controlled by them (the "Mendik Group") and certain of their affiliates (the "Mendik Transaction"). The properties acquired include (i) four wholly owned properties: Two Penn Plaza, Eleven Penn Plaza, 1740 Broadway and 866 U.N. Plaza and (ii) three partially owned properties: Two Park Avenue (40% interest), 330 Madison Avenue (24.8% interest) and 570 Lexington Avenue (5.6% interest). The consideration for the Mendik Transaction was approximately $656,000,000, including $264,000,000 in cash, $177,000,000 in limited partnership units of the Operating Partnership and $215,000,000 in indebtedness.

Montehiedra Town Center

In April 1997, the Company acquired The Montehiedra Town Center ("Montehiedra"), a shopping center, located in San Juan, Puerto Rico, from Kmart Corporation ("Kmart") for approximately $74,000,000, of which $63,000,000 was newly issued ten-year indebtedness. The center, which opened in 1994, contains 525,000 square feet, including a 135,000 square foot Kmart store.

90 Park Avenue

In May 1997, the Company acquired a mortgage loan from a consortium of banks collateralized by an office building located at 90 Park Avenue, Manhattan, New York. In August 1997, the Company entered into an agreement with the owners of 90 Park Avenue pursuant to which the Company restructured the mortgage, took title to the land and obtained a 43-year lease on the building under which the Company manages the building and receives the building's cash flow. As part of the restructuring, the amount of the debt was adjusted from the face value of

$193,000,000 to the May 1997 acquisition cost of $185,000,000, the maturity date of the debt was extended to August 31, 2022 and the interest rate was set at 7.5%. The Company also purchased the land for $8,000,000, which was further applied to reduce the debt to $177,000,000. This investment has been classified as real estate.

Riese Transactions

In June 1997, the Company acquired four properties containing an aggregate of approximately 80,000 square feet of retail and office space for approximately $26,000,000. The properties were previously owned by affiliates of the Riese Organization. These properties are located in midtown Manhattan. The Company also made a $41,000,000 mortgage loan to Riese affiliates cross-collateralized by ten other Manhattan properties containing an aggregate of approximately 172,000 square feet of retail and office space. The mortgage loan has a five-year term and an initial interest rate of 9.75% increasing annually.

Hotel Pennsylvania Investment

In September 1997, the Company acquired a 40% interest in the Hotel Pennsylvania, which is located on Seventh Avenue opposite Madison Square Garden in Manhattan, New York. The property was acquired in a joint venture with Hotel Properties Limited and Planet Hollywood International, Inc. from a group of partnerships. The venture intends to refurbish the property creating a sports-themed hotel and entertainment complex. Under the joint venture agreement, Hotel Properties Limited and Planet Hollywood International, Inc. have 40% and 20% interests, respectively. The joint venture acquired the hotel for approximately $159,000,000, of which $120,000,000 was newly issued five-year financing. The Company's share of the purchase price was approximately $64,000,000. The Hotel Pennsylvania contains approximately 800,000 square feet of hotel space with 1,700 rooms and 400,000 square feet of retail and office space. The Company manages the site's retail and office space, and Hotel Properties Limited manages the hotel. On March 24, 1998, the Company entered into an agreement to increase its interest in the Hotel Pennsylvania from 40% to 80%. Under the agreement, the Company will purchase the 40% interest of Hotel Properties Limited for approximately $70 million, including $48 million of existing debt. The increase in the Company's interest is subject to reduction to 67%, should Planet Hollywood International exercise its prorata option.

20 Broad Street Mortgage

In September 1997, the Company purchased from a bank, at a discount, a mortgage on a 460,000 square foot office building at 20 Broad Street in Manhattan, New York for $27,000,000. The mortgage, which is in default, yields approximately 12%. The property is leased to a number of tenants. The largest such tenant, the New York Stock Exchange, leases approximately 53% of the property. As part of the Mendik Transaction previously described, the Company obtained an option to acquire from the Mendik Group its portion of the leasehold interest in this property.

Charles E. Smith Commercial Realty Investment

In October 1997, the Company acquired a 15% limited partnership interest in Charles E. Smith Commercial Realty L.P. for $60,000,000 in a partnership roll-up. The partnership owns interests in and manages approximately 7.2 million square feet of office properties in Crystal City, Arlington, Virginia, a suburb of Washington, D.C., and manages an additional 14 million square feet of office and other commercial properties in the Washington, D.C. area.

Cold Storage

In October 1997, two partnerships in which preferred stock affiliates of the Company have 60% interests and affiliates of Crescent Real Estate Equities Company have 40% interests acquired the Cold Storage Companies from affiliates of Kelso & Company, Inc. and other owners. The consideration for these transactions totaled approximately $1,000,000,000, including $628,000,000 of indebtedness. The Company's share of the purchase price was approximately $600,000,000.

The Cold Storage Companies own and operate 80 refrigerated warehouses with an aggregate of approximately 394 million cubic feet.

On March 25, 1998, the Cold Storage Companies entered into an agreement to acquire the assets of Freezer Services, Inc., consisting of nine cold storage warehouses for approximately $134 million, including $22 million of indebtedness.

Arbor Property Trust

In December 1997, the Company acquired Arbor Property Trust ("Arbor") for approximately $225 million and merged it into the Company. The purchase price was comprised of 2,936,000 common shares of beneficial interest of Vornado, 39,400 Series A Convertible Preferred Shares of Vornado and the assumption of $125 million of property level debt. Arbor owned the Green Acres Mall, a 1.7 million square foot super-regional enclosed shopping mall complex situated in Nassau County, Long Island, New York one-mile east of the borough of Queens, New York. The Green Acres Mall is anchored by four major department stores: Sears, Roebuck and Co., J.C. Penney Company, Inc., and Federated Department Stores, Inc. doing business as Stern's and as Macy's. The complex also includes The Plaza at Green Acres, a 179,000 square foot strip shopping center which is anchored by Kmart and Waldbaums.

640 Fifth Avenue

In December 1997, the Company acquired 640 Fifth Avenue, an 18 story Manhattan office building located at the corner of 51st Street, for approximately $64 million from Met Life International Real Estate Partners Limited Partnership. The building contains approximately 250,000 square feet.

One Penn Plaza

In February 1998, the Company acquired a long-term leasehold interest in One Penn Plaza for approximately $410 million from Mid-City Associates. One Penn Plaza is a 57 story Manhattan office building containing approximately 2,350,000 square feet and encompasses substantially the entire square block bounded by 33rd Street, 34th Street, Seventh Avenue and Eighth Avenue.

150 East 58th Street

In March 1998, the Company acquired 150 East 58th Street (the Architects and Design Center), a 39 story Manhattan office building, for approximately $118 million from a limited partnership. The building contains approximately 550,000 square feet.

PENDING ACQUISITIONS

Kennedy Properties

In January 1998, the Company entered into a definitive agreement to acquire a real estate portfolio from Joseph P. Kennedy Enterprises for approximately $625 million, consisting of $465 million in cash, $50 million in indebtedness and an aggregate of $110 million in Operating Partnership Units and Convertible Preferred Operating Partnership Units.

The real estate assets to be acquired include a portfolio of properties used for office, retail and trade showroom space. The properties aggregate approximately 5.3 million square feet and consist of the Merchandise Mart in Chicago, the Apparel Center in Chicago, the Washington Design Center and the Washington Office Center in Washington, D.C. The transaction also includes the acquisition of Merchandise Mart Properties, Inc., which manages the properties and trade shows. The closing is expected to occur in the second quarter of 1998.

YMCA Development

In September 1997, the Company entered into an agreement with the YMCA to acquire a portion of a property now occupied by the YMCA. The property overlooks Central Park and is located between West 63rd and 64th Streets in Manhattan, New York. Pursuant to the agreement, a preferred stock affiliate of the Company will acquire and develop approximately 44,000 square feet for use by the YMCA and approximately 150,000 square feet for sale as residential condominiums. The agreement contemplates the negotiation and execution of additional related agreements. The purchase price for the property is approximately $8,400,000, and the Company estimates that development costs (including the YMCA facilities) will be approximately $55,000,000. To date, the Company has expended approximately $2,750,000 in connection with this transaction and provided the YMCA with a $5,500,000 letter of credit. The transaction is expected to close in the second quarter of 1998.

Las Catalinas Mall

The Company has an option to acquire K Mart's recently constructed anchor store and its 50% interest in the Las Catalinas Mall located in Caguas, Puerto Rico. The total purchase price is approximately $68,000,000 (substantially all of which would be financed with newly issued debt). The acquisition is expected to close in the second quarter of 1998.

Hotel Pennsylvania -- additional investment (see Completed Acquisitions).

Cold Storage -- acquisition of Freezer Services, Inc. (see Completed Acquisitions).

There can be no assurance that any of the pending acquisitions will ultimately be completed.

PROPOSED SPIN-OFF OF OPERATING COMPANY

In order to maintain Vornado's status as a REIT for federal income tax purposes, the Company is required to focus principally on investment in certain real estate assets. Accordingly, the Company cannot directly own certain assets and conduct certain activities that would be inconsistent with its status as a REIT.

The Company has formed Vornado Operating, Inc. ("Vornado Operating") to own assets that Vornado could not itself own and conduct activities that Vornado could not itself conduct. Vornado Operating will be able to do so because it will be taxable as a regular corporation rather than a REIT for taxable years after 1998. Vornado Operating has filed a registration statement with the Securities and Exchange Commission with respect to its proposed spin off from the Company. If the spin off takes place, the Operating Partnership will distribute pro rata to its partners, including Vornado, the shares of Vornado Operating, and Vornado will distribute pro rata to holders of its Common Shares the shares it receives. No holder of Common Shares will be required to make any payment, exchange any Common Shares or take any other action in order to receive Vornado Operating's common stock in the spin off. A record date has not yet been set for the spin off. No assurance can be given concerning the timing of the spin off, or whether the spin off will occur.

If the spin off takes place, the Company and Vornado Operating intend to enter into an Intercompany Agreement pursuant to which, among other things, (a) the Company will agree under certain circumstances

to offer Vornado Operating an opportunity to become the lessee of certain real property owned now or in the future by the Company (under mutually satisfactory lease terms) and (b) Vornado Operating will agree not to make any real estate investment or other REIT-qualified investments unless it first offers the Company the opportunity to make such investment and the Company has rejected that opportunity. The Company currently expects to capitalize Vornado Operating with an equity contribution of $25 million of cash, and currently intends to extend to Vornado Operating a $75 million unsecured five-year revolving line of credit. The Intercompany Agreement and the Credit Agreement were not subject to arms-length negotiation because Vornado Operating is currently a subsidiary of the Company. Accordingly, there can be no assurance that the terms of these agreements are comparable to those the Company could have negotiated with an unaffiliated third party.

FINANCING ACTIVITIES

In April 1997, Vornado sold 5,750,000 Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share. The preferred shares bear a coupon of 6 1/2% and are convertible into common shares at $36 3/8 per share. An equivalent number of preferred units were issued to Vornado for the shares sold. The offering, net of expenses, generated approximately $276,000,000, which was used to fund the cash portion of the Mendik Transaction.

In addition, in April 1997, the Company borrowed $400,000,000 from Union Bank of Switzerland pursuant to an unsecured bridge loan. In July 1997, the Company obtained a $600,000,000 unsecured three-year revolving credit facility. Simultaneously with the closing, the Company borrowed $250,000,000 under the facility and used the proceeds together with working capital to repay the $400,000,000 it borrowed in April. In February 1998, the facility was increased to $1,000,000,000 and certain covenants were amended. The co-managers of the facility are Union Bank of Switzerland, Chase Manhattan Bank, Citibank and NationsBank. Union Bank of Switzerland is also the arranger and administrative agent. The facility contains loan covenants including, among others, maximum loan to value ratio, minimum debt service coverage and minimum market capitalization requirements. Interest is at LIBOR plus .70% to 1.00% depending on the Company's senior debt rating. The credit facility has a competitive bid option program, which allows the Company to hold auctions among banks participating in the facility for short term borrowings of up to 50% of the credit facility. At December 31, 1997, the Company had $370,000,000 outstanding under the facility at a blended rate of 6.79% (LIBOR plus .83%) which was used to fund a portion of the purchase price of certain acquisitions previously described.

In October 1997, Vornado sold 14,000,000 common shares and an additional 2,100,000 common shares in November 1997 when the underwriters exercised in full their over-allotment option. The shares were sold at a price of $45.00 per share which, net of expenses, yielded approximately $688,672,000. An equivalent number of units were issued to Vornado for the shares sold. The net proceeds were used to repay $310,000,000 outstanding under the Company's line of credit and to fund a portion of the purchase price of certain acquisitions previously described.

In February 1998, the Company completed a $160,000,000 refinancing of the Green Acres Mall and prepaid the then existing $118,000,000 debt on the property. The new 10-year debt matures in March 2008 and bears interest at 6.75%.

Also, in February 1998, the Company obtained a $93,192,000 four month bridge mortgage loan from Union Bank of Switzerland in connection with its acquisition of One Penn Plaza. The loan bears interest at LIBOR plus .80% (currently 6.49%).

The Company has historically maintained a relatively low level of debt to market capitalization. At December 31, 1997, the ratio of debt to market capitalization was 24% based on debt of $956,654,000 and market equity of $4,036,769,000. In the future, in connection with its strategy for growth, this percentage may increase. This policy may be reviewed and modified from time to time by the Company without the vote of shareholders.

The Company may seek to obtain funds through equity offerings or debt financing, although there is no express policy with respect thereto. The Company may offer its REIT shares or Operating Partnership's units in exchange for property and repurchase or otherwise reacquire its shares or any other securities in the future.

EBITDA BY PROPERTY TYPE

The following table sets forth the percentage of the Company's earnings before interest expense, taxes, depreciation and amortization ("EBITDA"), represented by property type on a historical and a pro forma basis for the year ended December 31, 1997. The pro forma column gives effect to the Completed and Pending Acquisitions previously described as if they had occurred on January 1, 1997.

	PERCENTAGE OF EBITDA	
PROPERTY TYPE	HISTORICAL	PRO FORMA
Shopping centers	46%	25%
Office buildings	30%	35%
Cold storage	6%	15%
Kennedy Properties	--	16%
Industrial	3%	1%
Investment in Alexander's, Inc. ("Alexander's")	6%	3%
Other	9%	5%
	100%	100%

The percentage of the Company's EBITDA generated by properties located in the Greater Metropolitan New York area was approximately 65% on a historical basis and approximately 56% on a pro forma basis for the year ended December 31, 1997. See Item 2. Properties for a description of each property type.

RELATIONSHIP WITH ALEXANDER'S

The Company owns 29.3% of the outstanding shares of common stock of Alexander's. (See "Interstate Properties" below for a description of Interstate's ownership of the Company and Alexander's.)

Alexander's has nine properties (where its department stores were formerly located) (see Item 2. Properties -- Alexander's).

In March 1995, the Company lent Alexander's $45 million. The loan, which was scheduled to mature in March 1998, has been extended to March 1999 and the interest rate was reset from 15.60% per annum to 13.87% per annum reflecting a reduction in both the spread and the underlying treasury rate. Management believes there are no indications of impairment as discussed in Statement of Financial Accounting Standards ("SFAS") No. 114, "Accounting by Creditors for Impairment of a Loan".

The Company manages, develops and leases the Alexander's properties under a management and development agreement (the "Management Agreement") and a leasing agreement (the "Leasing Agreement") pursuant to which the Company receives annual fees from Alexander's. These agreements have a one-year term expiring in March of each year and are automatically renewable.

The agreement with the Company and Interstate Properties (see below) not to own in excess of two-thirds of Alexander's common stock expired in March 1998.

Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX".

INTERSTATE PROPERTIES

As of December 31, 1997, Interstate Properties owned approximately 16.6% of the common shares of beneficial interest of Vornado (assuming the conversion of all Operating Partnership units) and 27.1% of Alexander's common stock. Interstate Properties is a general partnership in which Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are partners. Mr. Roth is the Chairman of the Board and Chief Executive Officer of Vornado, the Managing General Partner of Interstate Properties, and the Chief Executive Officer and a director of Alexander's. Messrs. Mandelbaum and Wight are trustees of Vornado and are also directors of Alexander's.

COMPETITION

The real estate industry is highly competitive. The Company's success depends upon, among other factors, the trends of the national and local economies, the financial condition and operating results of current

and prospective tenants, the availability and cost of capital, interest rates, construction and renovation costs, income tax laws, governmental regulations and legislation, population trends, the market for real estate properties in the New York metropolitan area, zoning laws and the ability of the Company to lease, sublease or sell its properties at profitable levels. The Company competes with a large number of real estate property owners. Principal means of competition are rent charged, attractiveness of location and the quality of service. The Company's properties are principally located in the New York metropolitan area, a highly competitive market. The economic condition of this market may be significantly influenced by supply and demand for space and the financial performance and productivity of the financial, insurance and real estate industries. An economic downturn may adversely affect the Company's performance.

ENVIRONMENTAL REGULATIONS

Under various Federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up certain hazardous or toxic substances released at a property, and may be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by the parties in connection with the contamination. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such substances. The presence of contamination or the failure to remediate contamination may adversely affect the owner's ability to sell or lease real estate or to borrow using the real estate as collateral. Other Federal, state and local laws, ordinances and regulations require abatement or removal of certain asbestos-containing materials in the event of demolition or certain renovations or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The operation and subsequent removal of certain underground storage tanks are also regulated by Federal and state laws. In connection with the ownership, operation and management of its properties, the Company could be held liable for the costs of remedial action with respect to such regulated substances or tanks or related claims.

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

CERTAIN ACTIVITIES

Acquisitions and investments are not necessarily required to be based on specific allocation by type of property. The Company has historically held its properties for long-term investment; however, it is possible that properties in the portfolio may be sold in whole or in part, as circumstances warrant, from time to time. Further, the Company has not adopted a policy that limits the amount or percentage of assets which would be invested in a specific property. While the Company may seek the vote of its shareholders in connection with any particular material transaction, generally the Company's activities are reviewed and may be modified from time to time by its Board of Trustees without the vote of shareholders.

EMPLOYEES

The Company has 190 employees excluding employees of partially-owned entities.

SEGMENT DATA

The Company operates in two reportable segments: commercial office properties and retail properties. The Company engages in no foreign operations.

The Company's principal executive offices are located at Park 80 West, Plaza II, Saddle Brook, New Jersey 07663; telephone (201) 587-1000. The Mendik Division is located at 330 Madison Avenue, New York City, New York 10017; telephone (212) 557-1100.

ITEM 2. PROPERTIES

The Company currently owns, directly or indirectly, office buildings, shopping centers, and warehouse and industrial buildings. The Company also has investments in the Cold Storage Companies, Alexander's, Charles E. Smith Commercial Realty L.P. and the Hotel Pennsylvania. The following tables and narrative set forth certain information for each property type.

OFFICE PROPERTIES, SHOPPING CENTERS AND OTHER PROPERTIES

The following table sets forth certain information for the properties owned by the Company as of December 31, 1997 or as of the date of acquisition for properties thereafter acquired. The Principal Tenants as described below, which are primarily tenants which occupy 30,000 square feet or more, accounted for approximately 70% of total square footage.

TYPE AND LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED/ LEASED BY COMPANY	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS	ANNUALIZED RENT PER SQ. FT.(1)	PERCENT LEASED(1)
OFFICE BUILDINGS (MENDIK DIVISION)							
NEW YORK							
One Penn Plaza, Manhattan(4) (acquired in February 1998)....	1972	2.9	2,372,000		209	$25.16	94%
Two Penn Plaza, Manhattan........	1968	2.7	1,508,000		61	27.19	98%
Eleven Penn Plaza, Manhattan.....	1923	1.3	956,000		71	25.22	97%
1740 Broadway, Manhattan.........	1950	0.7	551,000		19	32.77	100%
866 United Nations Plaza, Manhattan......................	1966	2.1	386,000		84	28.37	81%
90 Park Avenue, Manhattan........	1964	0.9	877,000		31	31.35	100%
640 Fifth Avenue, Manhattan......	1950	0.5	249,000		12	22.59	94%
150 East 58th Street, Manhattan (acquired in March 1998).......	1969	0.5	548,000		135	29.34	97%
Two Park Avenue, Manhattan (40% Ownership).....................	1930	1.0	946,000		44	23.20	97%
330 Madison Avenue, Manhattan (24.75% Ownership)............	1963	0.8	771,000		43	33.62	97%
570 Lexington Avenue, Manhattan (5.6% Ownership)..............	1930	0.3	433,000		32	31.53	63%
825 Seventh Avenue, Manhattan (50% Ownership)...............	1968	0.5	149,000		1	7.65	100%
NEW JERSEY							
Paramus(4).......................	1987	3.4	118,000		25	17.38	53%
CONNECTICUT							
Westport (acquired in January 1998)..........................	1979	20.1	121,000		5	21.62	100%
Total Office Buildings.....		37.7	9,985,000		772	27.09	94%
Vornado's Ownership Interest................		35.9	8,353,000				95%

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)
OFFICE BUILDINGS (MENDIK DIVISION)			
NEW YORK			
One Penn Plaza, Manhattan(4) (acquired in February 1998)....	Kmart Corporation	2016/2036	--(10)
	Parsons Brinkerhoff	2008/2013	
	Miller Freeman Inc.	2011/2016	
Two Penn Plaza, Manhattan........	McGraw Hill Co. Inc.	2020/2030	$ 80,000
	Information Builders, Inc.	2013/2023	
Eleven Penn Plaza, Manhattan.....	Times Mirror Company	2001	54,612

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)
	General Mills	2002	
1740 Broadway, Manhattan.........	Mutual of New York	2016/2026	--
	William Douglas McAdams Inc.	2007	
866 United Nations Plaza, Manhattan......................	Mission of Japan to UN	2006/2011	33,000
90 Park Avenue, Manhattan........	Sterling Winthrop Inc	2015/2035	--
640 Fifth Avenue, Manhattan......	Citibank	2018	--
	Bozell Jacobs Kenyon	2008/2013	
	Right Management Consultants	2001	
150 East 58th Street, Manhattan (acquired in March 1998).......			
Two Park Avenue, Manhattan (40% Ownership).....................	Times Mirror Company	2010/2025	65,000
	Smith Barney Inc.	1998	
330 Madison Avenue, Manhattan (24.75% Ownership).............	BDO Seidman	2010/2015	103,800
570 Lexington Avenue, Manhattan (5.6% Ownership)..............	Quebecor Printing Corp	2007/2012	18,339
	Rochdale Securities Inc.	2008/2013	
	Brean Murray & Co, Inc.	2011	
825 Seventh Avenue, Manhattan (50% Ownership)................	American Broadcasting Companies	1999	--
NEW JERSEY			
Paramus(4).......................			602
CONNECTICUT			
Westport (acquired in January 1998)...........................	Metropolitan Life Insurance	2001	--(10)
Total Office Buildings.....			355,353
Vornado's Ownership Interest.................			221,570

TYPE AND LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED/ LEASED BY COMPANY	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS	ANNUALIZED RENT PER SQ. FT.(1)	PERCENT LEASED(1)
SHOPPING CENTERS							
NEW JERSEY							
Atlantic City....................	1965	17.7	136,000	--	--	--	--
Bordentown.......................	1958	31.2	179,000	--	4	6.54	100%
Bricktown........................	1968	23.9	260,000	3,000	19	10.41	99%
Cherry Hill......................	1964	37.6	231,000	64,000	13	$ 9.01	94%
Delran...........................	1972	17.5	168,000	4,000	5	5.32	94%
Dover............................	1964	19.6	173,000	--	13	6.07	99%
East Brunswick...................	1957	19.2	219,000	10,000	6	11.31	89%
East Hanover.....................	1962	24.6	271,000	--	17	10.34	98%
Hackensack.......................	1963	21.3	208,000	59,000	21	15.25	98%
Jersey City......................	1965	16.7	223,000	3,000	11	12.41	97%
Kearny...........................	1959	35.3	42,000	62,000	4	6.64	89%
Lawnside.........................	1969	16.4	145,000	--	3	10.50	100%
Lodi.............................	1975	8.7	130,000	--	1	8.56	100%
Manalapan........................	1971	26.3	194,000	2,000	7	9.09	100%
Marlton..........................	1973	27.8	173,000	7,000	10	8.52	100%
Middletown.......................	1963	22.7	180,000	52,000	23	13.73	99%
Morris Plains....................	1985	27.0	172,000	1,000	19	11.31	100%
North Bergen.....................	1959	4.6	7,000	55,000	3	26.21	100%
North Plainfield(4)..............	1989	28.7	217,000	--	16	8.69	98%
Totowa...........................	1957	40.5	201,000	94,000	6	16.08	92%
Turnersville.....................	1974	23.3	89,000	7,000	3	5.98	100%
Union............................	1962	24.1	257,000	--	12	17.75	100%
Vineland.........................	1966	28.0	143,000	--	4	6.87	51%

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)

SHOPPING CENTERS			
NEW JERSEY			
Atlantic City....................			2,135(9)
Bordentown.......................	Bradlees(2)(3)	2001/2021	3,276(9)
	Shop-Rite	2011/2016	
Bricktown........................	Caldor	2008/2028	9,919(9)
	Shop-Rite	2002/2017	
Cherry Hill......................	Bradlees(2)(3)	2006/2026	$ 9,706(9)
	Drug Emporium	2002	
	Shop & Bag	2007/2017	
	Toys "R" Us	2012/2042	
Delran...........................	Sam's Wholesale	2011/2021	2,848(9)
Dover............................	Ames	2017/2037	3,635(9)
	Shop-Rite	2012/2022	
East Brunswick...................	Bradlees(3)	2003/2023	8,205(9)
	Shoppers World	2007/2012	
	T.J. Maxx	2004/2009	
East Hanover.....................	Home Depot	2009/2019	11,066(9)
	Marshalls	2004/2009	
	Pathmark	2001/2024	
	Today's Man	2009/2014	
Hackensack.......................	Bradlees(3)	2012/2017	--
	Pathmark	2014/2024	
	Rickel Home Center	2003/2013	
Jersey City......................	Bradlees(3)	2002/2022	10,381(9)
	Shop-Rite	2008/2028	
Kearny...........................	Pathmark	2013/2033	--
	Rickel Home Center	2008	
Lawnside.........................	Home Depot	2012/2027	5,708(9)
	Drug Emporium	2007	
Lodi.............................	National Wholesale Liquidators	2013/2023	2,420(9)
Manalapan........................	Bradlees(3)	2002/2022	6,397(9)
	Grand Union	2012/2022	
Marlton..........................	Kohl's(2)(3)	2011/2031	5,398(9)
	Shop-Rite	2004/2009	
Middletown.......................	Bradlees(3)	2002/2022	7,761(9)
	Grand Union	2009/2029	
Morris Plains....................	Caldor	2002/2023	6,600(9)
	Shop-Rite	2002	
North Bergen.....................	A & P	2012/2032	--
North Plainfield(4)..............	Kmart	2006/2016	3,379
	Pathmark	2001/2011	
Totowa...........................	Bradlees(3)	2013/2028	15,646(9)
	Home Depot	2015/2025	
	Marshalls	2007/2012	
Turnersville.....................	Bradlees(2)(3)	2011/2031	2,116(9)
Union............................	Bradlees(3)	2002/2022	15,975(9)
	Toys "R" Us	2015	
	Cost Cutter Drug	2000	
Vineland.........................	Rickel Home Center	2005/2010	2,358(9)

TYPE AND LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED/ LEASED BY COMPANY	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS	ANNUALIZED RENT PER SQ. FT.(1)	PERCENT LEASED(1)
Watchung.........................	1959	53.8	50,000	116,000	6	17.60	97%
Woodbridge.......................	1959	19.7	233,000	3,000	11	13.47	99%
NEW YORK							
14th Street and Union Square, Manhattan......................	1993	0.8	232,000	--	1	9.92	100%
Albany (Menands).................	1965	18.6	141,000	--	2	$ 6.35	100%
Buffalo (Amherst)(4).............	1968	22.7	185,000	112,000	10	6.98	96%
Coram(4).........................	1976	2.4	103,000	--	1	2.22	100%
Freeport.........................	1981	12.5	167,000	--	3	11.50	100%
New Hyde Park(4).................	1976	12.5	101,000	--	1	13.55	100%
North Syracuse(4)................	1976	29.4	98,000	--	1	2.74	100%
Rochester (Henrietta)(4).........	1971	15.0	148,000	--	1	5.86	47%
Rochester........................	1966	18.4	176,000	--	1	6.05	41%
Valley Stream (Green Acres)(4)...	1958	100.0	1,667,000	170,000	158	(6)	87%
PENNSYLVANIA							
Allentown........................	1957	86.8	263,000	354,000	20	9.97	100%

Bensalem.........................	1972	23.2	208,000	7,000	12	7.62	70%
Bethlehem........................	1966	23.0	157,000	3,000	13	5.27	81%
Broomall.........................	1966	21.0	146,000	22,000	5	9.08	100%
Glenolden........................	1975	10.0	101,000	--	3	10.74	100%
Lancaster........................	1966	28.0	180,000	--	6	4.39	45%
Levittown........................	1964	12.8	104,000	--	1	5.98	100%
10th and Market Streets, Philadelphia...................	1994	1.8	271,000	--	3	8.59	69%
Upper Moreland...................	1974	18.6	122,000	--	1	7.50	100%
York.............................	1970	12.0	113,000	--	3	4.64	100%
MARYLAND							
Baltimore (Belair Rd.)...........	1962	16.0	206,000	--	2	5.95	65%
Baltimore (Towson)...............	1968	14.6	146,000	7,000	7	9.63	100%

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)
Watchung.........................	B.J.'s Wholesale	2024	--
Woodbridge.......................	Bradlees(3)	2002/2022	8,792(9)
	Foodtown	2007/2014	
	Syms	2000/2005	
NEW YORK			
14th Street and Union Square, Manhattan......................	Bradlees	2019/2029	--
Albany (Menands).................	Fleet Bank	2004/2014	$ --
	Albany Public Mkts.(5)	2000	
Buffalo (Amherst)(4).............	Circuit City	2017	4,863(9)
	Media Play	2002/2017	
	MJ Design	2006/2017	
	Toys "R" Us	2013	
	T.J. Maxx	2004	
Coram(4).........................	May Department Stores(5)	2011	--
Freeport.........................	Home Depot	2011/2021	8,021(9)
	Cablevision	2004	
New Hyde Park(4).................	Mayfair Supermarkets	2019/2029	2,043(9)
North Syracuse(4)................	Reisman Properties	2014	--
Rochester (Henrietta)(4).........	Hechinger(5)	2005/2025	2,203(9)
Rochester........................	Hechinger(5)	2005/2025	2,832(9)
Valley Stream (Green Acres)(4)...	Macy's	2006/2036	124,985(11)
	Sterns	2007/2017	
	JC Penney	2012	
	Sears	2023/2073	
	Kmart	2010/2038	
	Dime Savings Bank	2000	
	Greenpoint Bank	2009	
PENNSYLVANIA			
Allentown........................	Hechinger	2011/2031	7,696(9)
	Shop-Rite	2011/2019	
	Burlington Coat Factory	2017	
	Wal*Mart	2024/2094	
	Sam's Wholesale	2024/2094	
	T.J. Maxx	1998/2008	
Bensalem.........................	(2)(3)	2011/2031	3,967(9)
Bethlehem........................	Pathmark	2008/2033	--
	Super Petz	2005/2015	
Broomall.........................	Bradlees(2)(3)	2006/2026	3,260(9)
Glenolden........................	Bradlees(2)(3)	2012/2022	4,245(9)
Lancaster........................	Weis Markets	2008/2018	2,312(9)
Levittown........................	(2)(3)	2006/2026	2,283(9)
10th and Market Streets, Philadelphia...................	Kmart	2010/2035	--
Upper Moreland...................	Sam's Wholesale(2)	2010/2015	3,517(9)
York.............................	Builders Square	2009/2018	1,463(9)
MARYLAND			
Baltimore (Belair Rd.)...........	Food Depot	1999/2004	--
Baltimore (Towson)...............	Staples	2004	5,779(9)
	Cost Saver Supermarket	2000/2020	
	Drug Emporium	1999/2004	

APPROXIMATE
LEASABLE BUILDING
SQUARE FOOTAGE

TYPE AND LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	OWNED/ LEASED BY COMPANY	OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS	ANNUALIZED RENT PER SQ. FT.(1)	PERCENT LEASED(1)
Baltimore (Dundalk)	1966	16.1	183,000	--	17	6.47	98%
Glen Burnie	1958	21.2	117,000	3,000	4	6.03	100%
Hagerstown	1966	13.9	133,000	15,000	6	$ 3.12	100%
CONNECTICUT							
Newington	1965	19.2	134,000	45,000	4	6.46	100%
Waterbury	1969	19.2	140,000	3,000	10	7.81	100%
MASSACHUSETTS							
Chicopee	1969	15.4	112,000	3,000	3	5.10	93%
Milford(4)	1976	14.7	83,000	--	1	5.26	100%
Springfield	1966	17.4	8,000	117,000	2	11.25	100%
TEXAS							
Lewisville	1990	13.3	35,000	7,000	16	13.61	98%
Mesquite	1990	5.5	71,000	--	13	13.86	87%
Dallas	1990	9.9	100,000	--	9	9.47	81%
PUERTO RICO (SAN JUAN)							
Montehiedra	1997	57.1	525,000	--	96	15.53	99%
Total Shopping Centers		1,339.2	10,977,000	1,410,000	673	9.78	92%
WAREHOUSE/INDUSTRIAL							
NEW JERSEY							
E. Brunswick	1972	16.1	326,000		2	2.46	97%
E. Hanover	1963-1967	45.5	941,000		12	3.85	100%
Edison	1982	18.7	272,000		1	2.75	100%
Garfield	1959	31.6	487,000		3	3.75	38%
Total Warehouse/Industrial		111.9	2,026,000		18	3.41	84%

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)
Baltimore (Dundalk)	A & P	2002/2017	4,084(9)
	Ollie's	2003/2008	
	Manor Shops	1998	
Glen Burnie	Pathmark Stores, Inc.(5)	2005	2,299(9)
Hagerstown	Big Lots	2002/2012	$ --
	Pharmhouse	2008/2012	
	Weis Markets	1999/2009	
CONNECTICUT			
Newington	(3)	2002/2022	3,042(9)
	The Wiz	2007/2027	
Waterbury	Toys "R" Us	2010	3,889(9)
	Shaws Supermarkets	2003/2018	
MASSACHUSETTS			
Chicopee	Bradlees(3)	2002/2022	1,999(9)
Milford(4)	Bradlees(3)	2004/2009	--
Springfield	Wal*Mart	2018/2092	--
TEXAS			
Lewisville	Albertson's(7)	2055	764(9)
Mesquite			3,445(9)
Dallas	Albertson's(7)	2055	1,987(9)
PUERTO RICO (SAN JUAN)			
Montehiedra	Kmart	2022/2072	62,698
	Builders Square	2022/2072	
	Marshalls	2010/2025	
	Caribbean Theatres	2021/2026	
Total Shopping Centers			407,397
WAREHOUSE/INDUSTRIAL			
NEW JERSEY			
E. Brunswick	Popsicle Playwear	2000/2005	--
	IFB Apparel	2001/2006	
E. Hanover	Various Tenants		8,210(9)
Edison	White Cons. Ind.	1998/2001	2,455(9)
Garfield	Popular Services & Various Tenants	2007	368
Total Warehouse/Industrial			11,033

TYPE AND LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE OWNED/ LEASED BY COMPANY	OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS	ANNUALIZED RENT PER SQ. FT.(1)	PERCENT LEASED(1)
OTHER PROPERTIES							
1135 Third Avenue................	1997	--	25,000		1	$82.44	100%
Montclair........................	1972	1.6	17,000		1	16.19	100%
Rahway(4)........................	1972	--	32,000		1	4.88	100%
Riese Properties.................	1997	--	80,000		20	58.42	99%
Total Other Properties.....		1.6	154,000		23	$46.34	99%
Grand Total................		1,490.4	23,142,000	1,410,000	1,486		92%
Grand Total Vornado's Ownership Interest.......		1,488.6	21,510,000	1,410,000			92%

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)
OTHER PROPERTIES			
1135 Third Avenue................			$ --
Montclair........................			--
Rahway(4)........................			--
Riese Properties.................			--
Total Other Properties.....			--
Grand Total................			$773,783
Grand Total Vornado's Ownership Interest.......			$640,000

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(1) Represents annualized monthly base rent excluding ground leases, storage rent and rent for leases which had not commenced as of December 31, 1997, which are included in percent leased.

(2) Montgomery Ward & Co., Inc. (a previous lessor) remains liable on such lease including the rent it was obligated to pay -- approximately 70%.

(3) These leases are either fully guaranteed by Stop & Shop, a wholly-owned subsidiary of Royal Ahold NV, or in the case of Totowa, guaranteed as to 70% of rent.

(4) 100% Ground and/or building leasehold interest other than Green Acres, where approximately 10% of the ground is leased.

(5) The tenant has ceased operations at these locations but continues to pay rent.

(6) Annualized rent per square foot is $13.16 in total and $27.08 for the mall tenants only.

(7) Square footage excludes Albertson's which owns its land and building.

(8) At December 31, 1997, the Company's ownership interest in its properties is encumbered by $640,000,000 of mortgage debt. This amount is comprised of $586,654,000 of debt on wholly-owned properties, which is described in Note 5 in the Notes to Consolidated Financial Statements and $53,346,000 of debt on partially-owned properties, which is reflected in the Company's investments in partially-owned entities described in Note 4 in the Notes to Consolidated Financial Statements.

(9) These encumbrances are cross collateralized under a mortgage in the amount of $227,000,000 at December 31, 1997.

(10) Encumbrances do not include a bridge mortgage loan of $93,192,000 in connection with the acquisition of One Penn Plaza (described in "Financings" on page 8 of Item 1) and the $8,000,000 mortgage on the Westport property: both of these properties were acquired in 1998.

(11) At December 31, 1997, encumbrances were comprised of a $118,000,000 mortgage on the property and a $6,985,000 capital lease obligation. In February 1998, the Company completed a $160,000,000 refinancing on the property and prepaid the then existing $118,000,000 mortgage.

OFFICE PROPERTIES

The Company's office properties consist of all or a portion of 14 office buildings in the New York City metropolitan area (primarily Manhattan) containing approximately 8.4 million square feet. As a result of extensive renovations and upgrades over the last ten years and the Company's on-going program of preventative maintenance, the Company believes that its properties are modern structures, attract high quality tenants and are well positioned to compete with other Class A office properties in their respective submarkets.

The office properties currently are leased to over 770 tenants, which are engaged in a variety of businesses, including financial services, investment banking, publishing, computer technology, health care services, accounting and law. The average lease term of a tenant's lease is 12 years. Leases typically provide for step-ups in rent periodically over the term of the lease and pass through to tenants the tenant's share of increases in real estate taxes and operating expenses for a building over a base year. Electricity is provided to tenants on a submetered basis or included in rent based on surveys and adjusted for subsequent utility rate increases. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction of its premises. At December 31, 1997, no single tenant accounted for more than 5.7% of the Company's total leasable office property square footage.

The following table sets forth a schedule of lease expirations for leases in place, as of December 31, 1997 for each of the next 10 years on an aggregate basis, assuming that none of the tenants exercise their renewal options.

YEAR	NUMBER OF EXPIRING LEASES	APPROXIMATE SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL SQUARE FOOTAGE	APPROXIMATE ANNUAL RENT OF EXPIRING LEASES	ANNUAL RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1998......................	81	297,000	4.5%	$ 8,409,000	$28.28
1999......................	66	519,000	7.8%	14,796,000	28.51
2000......................	23	138,000	2.1%	4,508,000	32.60
2001......................	28	504,000	7.6%	15,346,000	30.43
2002......................	28	322,000	4.8%	9,199,000	28.56
2003......................	24	301,000	4.5%	8,113,000	26.91
2004......................	22	254,000	3.8%	7,266,000	28.63
2005......................	22	258,000	3.9%	7,974,000	30.87
2006......................	26	451,000	6.8%	12,964,000	28.75
2007......................	19	378,000	5.7%	11,332,000	29.96

For the year ended December 31, 1997, office properties accounted for 41% of total revenues (46% of pro forma total revenues which gives effect to the completed and pending acquisitions previously described as if they had occurred on January 1, 1997). The occupancy rate of the properties was 95% as of March 1, 1998. The annual rent per square foot as of December 31, 1997 was $27.09. Two Penn Plaza accounted for 12% of total revenues for the year ended December 31, 1997. One Penn Plaza accounted for 10% of total pro forma revenues. No other office property exceeded 10% of total historical or pro forma revenues or assets. Below are descriptions of One Penn Plaza and Two Penn Plaza:

Two Penn Plaza

Two Penn Plaza is a 32-story Manhattan office building that sits directly atop Penn Station and occupies the entire block front on the west side of Seventh Avenue between 31st and 33rd Streets (adjacent to Madison Square Garden). Built in 1968, Two Penn Plaza has approximately 1,500,000 rentable square feet (including 30,000 square feet of retail space and 28,000 square feet of storage space). The Penn Plaza area has been improved in recent years through the efforts of the 34th Street Business Improvement District Partnership ("BID"), which provides street cleaning services, security personnel and other community services to businesses in the area.

The Company currently is exploring the possibility of developing additional retail space at Two Penn Plaza. The Company believes that the development of additional retail space may provide a source of additional cash flow and therefore enhance the value of Two Penn Plaza. There can be no assurance, however, that any such additional retail space will be developed.

As of March 1, 1998, approximately 98% of the rentable square footage in Two Penn Plaza was leased. The following table sets forth certain information with respect to Two Penn Plaza at the end of each of the past five years.

YEAR-END	PERCENT LEASED	ANNUAL RENT PER LEASED SQUARE FEET
1997	98.0%	$27.19
1996	69.0%	29.39
1995	94.0%	28.62
1994	94.5%	27.75
1993	96.3%	26.23

The Equitable Life Assurance Society of the United States ("Equitable"), leased approximately 430,000 square feet at Two Penn Plaza under a lease which expired on October 31, 1996. Equitable relocated its operations to a building closer to its Manhattan headquarters. At December 31, 1996, approximately 465,000 square feet (approximately 31%) of the property was vacant. During 1997, the Company entered into separate leases with Information Builders Inc. ("IBI") and The McGraw-Hill Companies Inc. ("McGraw-Hill") for space previously occupied by Equitable. IBI, a privately held software company, leased approximately 180,000 square feet, which commenced on October 1, 1997 and expires on May 31, 2013. Subsequently, IBI exercised their option to lease an additional 40,000 square feet, which also expires on May 31, 2013. In November 1997, McGraw-Hill signed a lease, which when fully implemented, encompasses approximately 407,000 square feet. McGraw-Hill will take possession of approximately 290,000 square feet during the first quarter of 1998. McGraw-Hill will take possession of the remainder of the space as current leases expire in subsequent periods. McGraw-Hill's lease expires on March 31, 2020.

The following table is a schedule of the annual lease expirations at Two Penn Plaza as of March 1, 1998 (assuming that no tenants exercise renewal options):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	APPROXIMATE SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL SQUARE FOOTAGE	APPROXIMATE ANNUAL RENT OF EXPIRING LEASES	ANNUAL RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1998	11	13,000	0.9%	$ 179,000	$13.53
1999	9	66,000	4.4%	1,725,000	26.14
2000	9	30,000	2.0%	775,000	25.92
2001	6	83,000	5.5%	2,051,000	24.70
2002	2	31,000	2.1%	887,000	28.64
2003	8	129,000	8.5%	3,268,000	25.41
2004	2	35,000	2.3%	923,000	26.63
2005	2	18,000	1.2%	623,000	35.11
2006	1	57,000	3.8%	1,397,000	24.41
2007	1	113,000	7.5%	3,299,000	29.30

The aggregate undepreciated tax basis of depreciable real property at Two Penn Plaza for Federal income tax purposes was approximately $111,000,000 as of December 31, 1997, and depreciation for such property is computed for Federal income tax purposes on the declining balance or straight-line methods over lives which range from 15 to 39 years.

The current assessed value of Two Penn Plaza for real estate tax purposes is $74,250,000. The tax rate in New York City for commercial real estate is 10.164 for $100 of assessed value which results in real estate taxes for the 1997/1998 tax year of $7,897,380 (including the 34th Street BID tax of $350,610).

One Penn Plaza

One Penn Plaza is a 57-story Manhattan office building which encompasses substantially the entire square block bounded by 33rd Street, 34th Street, Seventh Avenue and Eight Avenue. Built in 1972, One Penn Plaza contains approximately 2,350,000 square feet (including 239,000 square feet of retail space, 154,000 square feet of garage space and 22,000 square feet of storage space).

One Penn Plaza is one of the largest office buildings in Midtown Manhattan. It is strategically located between Macy's and Madison Square Garden with direct access to Pennsylvania Station. A recently completed $28.5 million capital improvement program has enhanced the building's competitiveness. The Program included upgrading the lobby, public corridors on all multi-tenant floors, elevators, mechanical and HVAC systems. The Penn Plaza area has been enhanced in recent years through the efforts of the 34th Street BID.

As of March 1, 1998, approximately 94% of the square footage in One Penn Plaza was leased. The following table sets forth certain information with respect to One Penn Plaza at the end of each of the past five years.

YEAR END	PERCENT LEASED	ANNUAL RENT PER LEASED SQUARE FOOT
1997	94.0%	$25.81
1996	85.6%	25.23
1995	85.9%	23.54
1994	80.1%	24.46
1993	80.6%	22.58

The following table is a schedule of the annual lease expirations at One Penn Plaza as of March 1, 1998 (assuming that no tenants exercise renewal options):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	APPROXIMATE SQUARE FOOTAGE OF EXPIRING LEASES	% OF TOTAL SQUARE FOOTAGE	APPROXIMATE ANNUALIZED RENT OF EXPIRING LEASES	ANNUAL RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1998	28	127,000	5.4%	$3,218,000	$25.34
1999	35	145,000	6.1%	4,100,000	28.29
2000	34	95,000	4.0%	2,577,000	27.27
2001	14	78,000	3.3%	2,220,000	28.60
2002	25	154,000	6.5%	4,233,000	27.47
2003	11	88,000	3.7%	2,962,000	33.78
2004	13	273,000	11.5%	6,445,000	23.64
2005	7	140,000	5.9%	3,346,000	23.81
2006	10	157,000	6.6%	4,643,000	29.64
2007	6	58,000	2.5%	1,661,000	28.45

The aggregate undepreciated tax basis of depreciable real property at One Penn Plaza for Federal income tax purposes was approximately $410,000,000 as of December 31, 1997, and depreciation for such property will be computed for Federal income tax purposes on the straight-line method over 39 years. The Company acquired this property on February 9, 1998.

The current assessed value of One Penn Plaza for real estate tax purposes is $116,860,000. The tax rate in New York City for commercial real estate is 10.164 for $100 of assessed value which produces real estate taxes for the 1997/1998 tax year of $12,409,287 (including the 34th Street BID tax of $536,637).

Washington, D.C.

The Company has a 15% limited partnership interest in Charles E. Smith Commercial Realty L.P. which owns interests in and manages approximately 7.2 million square feet of office properties in Crystal City, Arlington, Virginia, a suburb of Washington, D.C., and manages an additional 14.0 million square feet of office and other commercial properties in the Washington, D.C. area.

SHOPPING CENTERS

The Company owns 59 shopping center properties of which 57 are strip shopping centers primarily located in the Northeast and Midatlantic states, one is a regional center located in San Juan, Puerto Rico and one is a super-regional center located in Nassau County, Long Island, New York. The Company's shopping centers are generally located on major regional highways in mature densely populated areas. The Company believes its shopping centers attract consumers from a regional, rather than a neighborhood marketplace because of their location on regional highways. Shopping centers accounted for 54% of the Company's total revenue (29% of pro forma total revenue) for the year ended December 31, 1997. The occupancy rate of the shopping center properties was 92% and 90% as of March 1, 1998 and 1997, respectively, and has been over 90% in each of the past five years.

The Company's shopping center lease terms range from five years or less in some instances for smaller tenant spaces to as long as thirty years for major tenants. Leases generally provide for additional rents based on a percentage of tenant's sales and pass through to tenant's the tenant's share of all common area charges (including roof and structure in strip shopping centers, unless it is the tenant's direct responsibility), real estate taxes and insurance costs and certain capital expenditures. Percentage rent accounted for less than 1% of total revenues in 1997. As of December 31, 1997, the average annual base rent per square foot for the Company's shopping centers was $9.78 (excluding the Green Acres Mall). The average annual base rent per square foot for the Green Acres Mall was $13.16 in total and $27.08 for mall tenants only.

The following table sets forth a schedule of lease expirations for leases in place, as of December 31, 1997 for each of the next 10 years on an aggregate basis, assuming that none of the tenants exercise their renewal options.

YEAR	NUMBER OF EXPIRING LEASES	APPROXIMATE SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL SQUARE FOOTAGE	APPROXIMATE ANNUAL RENT OF EXPIRING LEASES	ANNUAL RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1998......................	44	209,000	1.9%	$2,788,000	$13.36
1999......................	66	570,000	5.2%	6,367,000	11.18
2000......................	65	454,000	4.1%	5,646,000	12.44
2001......................	68	425,000	3.9%	5,320,000	12.51
2002......................	62	1,162,000	10.6%	12,732,000	10.95
2003......................	38	398,000	3.6%	4,710,000	11.82
2004......................	61	758,000	6.9%	7,969,000	10.51
2005......................	84	623,000	5.7%	8,537,000	13.71
2006......................	45	579,000	5.3%	5,605,000	9.68
2007......................	39	580,000	5.3%	5,692,000	9.82

The Company's Montehiedra shopping center, in San Juan, Puerto Rico, accounted for 4.0% of total revenues for the year ended December 31, 1997 and 2% on a pro forma basis. No other shopping center accounted for more than 2.7% of total revenues. The Green Acres Mall, acquired in December 1997, is the Company's largest shopping center property. It contains 1.8 million square feet or 14.7% of total shopping center square footage and represents 7.0% of 1997 pro forma revenues. No other shopping center accounted for more than 5% of total shopping center square footage.

The Company's strip shopping centers are substantially leased to large stores (over 20,000 square feet). Tenants include destination retailers such as discount department stores, supermarkets, home improvements stores, discount apparel stores, membership warehouse clubs and "category killers." Category killers are large stores which offer a complete selection of a category of items (e.g., toys, office supplies, etc.) at low prices, often in a warehouse format. Tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price.

The Green Acres Mall is a 1.8 million square foot super-regional enclosed shopping mall complex situated in Nassau County, Long Island, New York one-mile east of the borough of Queens, New York. The Green Acres Mall is anchored by four major department stores: Sears, Roebuck and Co., J.C. Penney Company, Inc., and Federated Department Stores, Inc. doing business as Stern's and as Macy's. The complex

also includes The Plaza at Green Acres, a 179,000 square foot strip shopping center which is anchored by Kmart and Waldbaums.

Only one of the Company's tenants, Bradlees, represented more than 10% of total property rentals for the year ended December 31, 1997. Bradlees accounted for 10.5% of total property rentals (4.2% of total pro forma property rentals). In June 1995, Bradlees filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company currently leases 16 locations to Bradlees. Of these locations, the leases for 14 are fully guaranteed by Stop & Shop Companies, Inc. ("Stop & Shop"), a wholly-owned subsidiary of Royal Ahold NV, a leading international food retailer, and one is guaranteed as to 70% of the rent.

COLD STORAGE

The Cold Storage Companies, doing business under the trade name of Americold Logistics, Inc., own and operate 80 refrigerated warehouses with an aggregate of approximately 394 million cubic feet. The Cold Storage Companies are headquartered in Atlanta, Georgia and have approximately 4,300 employees.

Services

The Cold Storage Companies provide the frozen food industry with refrigerated warehousing and transportation management services. Refrigerated warehouses are comprised of production and distribution facilities. Production facilities typically serve one or a small number of customers, generally food processors, located nearby. These customers store large quantities of processed or partially processed products in the facility until they are shipped to the next stage of production or distribution. Distribution facilities primarily warehouse a wide variety of customers' finished products until future shipment to end-users. Each distribution facility primarily services the surrounding regional market.

The Cold Storage Companies transportation management services include freight routing, dispatching, freight rate negotiation, backhaul coordination, freight bill auditing, network flow management, order consolidation and distribution channel assessment. The Cold Storage Companies' temperature-controlled logistics expertise and access to both frozen food warehouses and distribution channels enable its customers to respond quickly and efficiently to time-sensitive orders from distributors and retailers.

Customers

Customers consist primarily of national, regional and local frozen food manufacturers, distributors, retailers and food service organizations including Con-Agra, Inc., H.J. Heinz & Co., Kraft Foods and Tyson Foods.

Competition

Competition is national, regional and local in nature. The Cold Storage Companies operate in an environment in which breadth of service, warehouse locations, customer mix, warehouse size, service performance and price are the principal competitive factors.

Capital Expenditures

The Cold Storage Companies have budgeted approximately $47,000,000 for capital expenditures over the next year of which (i) $23,000,000 is for warehouse expansions, (ii) $15,000,000 is for recurring replacement of equipment and (iii) $9,000,000 is for non-recurring items including $3,000,000 resulting from the consolidation of the computer systems and offices of the two companies acquired, $3,000,000 for reracking of an existing warehouse and $3,000,000 of structural warehouse delayed maintenance. On March 25, 1998, the Cold Storage Companies entered into an agreement to acquire the assets of Freezer Services, Inc., consisting of nine cold storage warehouses for approximately $134 million, including $22 million of indebtedness. The Cold Storage Companies anticipate that cash from operations will be adequate to fund capital expenditures, other than acquisitions which will require funding from borrowings or equity infusions.

Facilities

The following table shows the location, size and type of facility for each of the Cold Storage Properties as of December 31, 1997:

PROPERTY	TYPE: PRODUCTION(P)/ DISTRIBUTION(D)/ MANAGED(M)	OWNED/ LEASED	TOTAL CUBIC FOOTAGE (IN MILLIONS)
Gateway Xavier Drive, SW Atlanta, GA	D	Owned	11.1
Lakewood Lakewood Avenue, SW Atlanta, GA	D	Owned	2.9
Central West 9th Street	P	Owned	1.0

Charlotte, NC			
North Exchange Street Charlotte, NC	P	Owned	4.1
Columbia Shop Road Columbia, SC	P	Owned	1.6
Augusta Laney-Walker Road Augusta, GA	P	Owned	1.1
Norfolk East Princess Anne Road Norfolk, VA	P	Owned	1.9
Montgomery Prince Street Montgomery, AL	P	Owned	0.5
Witchita North Mead Wichita, KS	P	Owned	2.8
Marshall West Highway 20 Marshall, MO	P	Owned	4.8
Oklahoma City South Hudson Oklahoma City, OK	P	Owned	0.7
Oklahoma City Exchange Street Oklahoma City, OK	P	Owned	1.4
Fort Smith Midland Boulevard Fort Smith, AR	P	Owned	1.4
Birmingham West 25th Avenue Birmingham, AL	P	Owned	2.0
Memphis East Parkway South Memphis, TN	P	Owned	5.6
Memphis Spottswood Avenue Memphis, TN	P	Owned	0.5
Syracuse Farrell Road Syracuse, NY	D	Owned	11.8
West Memphis South Airport Road West Memphis, AR	D	Owned	6.0
Indianapolis Arlington Avenue Indianapolis, IN	D	Owned	9.1
Ontario Malaga Place Ontario, CA	D	Owned 24% Leased 76%	8.1
Tarboro Sara Lee Road Tarboro, NC	P	Leased	3.4

PROPERTY	TYPE: PRODUCTION(P)/ DISTRIBUTION(D)/ MANAGED(M)	OWNED/ LEASED	TOTAL CUBIC FOOTAGE (IN MILLIONS)
Montgomery Newcomb Avenue Montgomery, AL	P	Leased	1.2
Kraft Refrig. Wanamaker Avenue Ontario, CA	M	Managed	3.2
Westgate Westgate Parkway Atlanta, GA	D	Owned	11.4
Gadsden East Air Depot Road Gadsden, AL	P	Leased	4.0
Texarkana Genoa Road Texarkana, AR	P	Owned	2.3
Leesport RD2, Orchard Lane Leesport, PA	D	Owned	5.8
Albertville	P	Owned	2.2

Railroad Avenue Albertville, AL			
Kraft Dry Airport Drive Ontario, CA	M	Managed	13.5
Southgate Westgate Parkway Atlanta, GA	D	Owned	3.5
Ft. Worth Railhead Drive Ft. Worth, TX	M	Managed	17.7
Transload 4th Street, West Birmingham, AL	P	Leased	0.01
Montezuma South Airport Drive Montezuma, GA	P	Owned	4.4
Bettendorf State Street Bettendorf, IA	P/D	Owned	8.9
Boston Widett Circle Boston, MA	P/D	Owned	3.1
Brooks Brooklake Road Brooks, OR	P	Owned	4.8
Burbank West Magnolia Boulevard Burbank, CA	P/D	Owned	0.8
Burlington South Walnut Burlington, WA	P/D	Owned	4.7
Clearfield South Street Clearfield, UT	P/D	Owned	8.6
Connell West Juniper Street Connell, WA	P	Owned	5.7
Fort Dodge Maple Drive Fort Dodge, IA	D	Owned	3.7
Gloucester East Main Street Gloucester, MA	P/D	Owned	1.9

PROPERTY	TYPE: PRODUCTION(P)/ DISTRIBUTION(D)/ MANAGED(M)	OWNED/ LEASED	TOTAL CUBIC FOOTAGE (IN MILLIONS)
Gloucester Railroad Avenue Gloucester, MA	P/D	Owned	0.3
Gloucester Rogers Street Gloucester, MA	P/D	Owned	2.8
Gloucester Rowe Square Gloucester, MA	P/D	Owned	2.4
Hermiston Westland Avenue Hermiston, OR	P	Owned	4.0
Kansas City Inland Drive Kansas City, KS	P/D	Owned	35.2
Los Angeles Jesse Street Los Angeles, CA	P/D	Owned	2.7
Milwaukie S.E. McLoughlin Blvd. Milwaukie, OR	D	Owned	4.7
Moses Lake Wheeler Road Moses Lake, WA	P/D	Owned	7.3
Murfreesboro Stephenson Drive Murfreesboro, TN	P/D	Owned	2.9

Nampa 4th Street North Nampa, ID	P	Owned	8.0
Park Rapids U.S. Highway 71 South Park Rapids, MN	P	Leased	3.8
Plant City South Alexander Street Plant City, FL	P/D	Owned	0.8
Plover 110th Street Plover, WI	P/D	Owned	9.4
Portland Read Street Portland, ME	P/D	Owned	1.8
Rochelle Americold Drive Rochelle, IL	D	Owned	6.0
Salem Portland Road N.E. Salem, OR	P/D	Owned	12.5
Tampa South Lois Avenue Tampa, FL	D	Owned	0.4
Tomah Route 2 Tomah, WI	P	Owned	4.6
Turlock 5th Street Turlock, CA	P/D	Owned	2.5

PROPERTY	TYPE: PRODUCTION(P)/ DISTRIBUTION(D)/ MANAGED(M)	OWNED/ LEASED	TOTAL CUBIC FOOTAGE (IN MILLIONS)
Turlock South Kilroy Road Turlock, CA	P/D	Owned	3.0
Walla Walla 14th Avenue South Walla Walla, WA	P	Owned	3.1
Walulla Dodd Road Walulla, WA	P/D	Owned	1.2
Watertown Pleasant Street Watertown, MA	P/D	Owned	4.7
Woodburn Silverton Road Woodburn, OR	P/D	Owned	6.3
Bartow U.S. Highway 17 Bartow, FL	P/D	Owned	1.2
Burley U.S. Highway 30 Burley, ID	P/D	Owned	10.7
Denver East 50th Street Denver, CO	P/D	Owned 52% Leased 48%	2.8
Denver North Washington Street Denver, CO	P/D	Leased	0.5
Fogelsville Mill Road Fogelsville, PA	D	Owned 85% Leased 15%	21.6
Fullerton South Raymond Avenue Fullerton, CA	P/D	Leased	4.0
Grand Island East Roberts Street Grand Island, NB	P/D	Leased	2.2
Ontario N.E. First Street Ontario, OR	P	Leased	8.1
Pajaro Salinas Road Pajaro, CA	P/D	Leased	0.7
Pasco Industrial Way Pasco, WA	P	Leased	6.7

Tampa North 50th Street Tampa, FL	P/D	Owned 80% Leased 20%	4.1
Tampa Shoreline Drive Tampa, FL	D	Owned	1.3
Watsonville West Riverside Drive Watsonville, CA	P/D	Owned	5.4
Watsonville Second Street Watsonville, CA	P/D	Leased	1.4

The above table is summarized as follows:

TYPE OF PROPERTY	TOTAL CUBIC FOOTAGE (IN MILLIONS)	PERCENT TO TOTAL
Owned facilities	312.5	79%
Leased facilities	47.4	12%
Managed facilities	34.4	9%
	394.3	100%

ALEXANDER'S PROPERTIES

The following table shows the location, approximate size and leasing status as of December 31, 1997 of each of Alexander's properties.

LOCATION	OWNERSHIP	APPROXIMATE LAND SQUARE FOOTAGE ("SF") OR ACREAGE	APPROXIMATE BUILDING SQUARE FOOTAGE/ NUMBER OF FLOORS	AVERAGE ANNUALIZED BASE RENT PER SQ. FOOT	PERCENT LEASED
OPERATING PROPERTIES					
NEW YORK:					
Rego Park -- Queens	Owned	4.8 acres	351,000/3(1)	$29.61	100%
Kings Plaza Shopping Center & Marina (Kings Plaza Mall) Brooklyn	50% Owned	24.3 acres	427,000/2(1)(2)	32.60	84%
Kings Plaza Store -- Brooklyn	Owned	Included in Shopping Center above	339,000/4	10.00	85%
Fordham Road -- Bronx	Owned	92,211 SF	303,000/5	--	--
Flushing -- Queens	Leased	44,975 SF	177,000/4(1)	16.35	100%
Third Avenue -- Bronx	Owned	60,451 SF	173,000/4	4.33	100%
			1,770,000		
REDEVELOPMENT PROPERTIES					
NEW YORK:					
Lexington Avenue -- Manhattan	92% Owned	84,420 SF	591,000/6(1)(3)		
Rego Park II -- Queens	Owned	6.6 acres	--		
NEW JERSEY:					
Paramus, New Jersey	Owned	30.0 acres	--/3(4)		

LOCATION	TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION
OPERATING PROPERTIES		
NEW YORK:		
Rego Park -- Queens	Bed Bath & Beyond	2013
	Circuit City	2021
	Marshalls	2008/2021
	Old Navy	2007/2021

	Sears	2021
Kings Plaza Shopping Center & Marina (Kings Plaza Mall) Brooklyn...........	120 Tenants	Various
Kings Plaza Store -- Brooklyn...........	Sears	2023/2033
Fordham Road -- Bronx...................		
Flushing -- Queens......................	Caldor	2027
Third Avenue -- Bronx...................	An affiliate of Conway	2023
REDEVELOPMENT PROPERTIES		
NEW YORK:		
Lexington Avenue -- Manhattan...........		
Rego Park II -- Queens..................		
NEW JERSEY:		
Paramus, New Jersey.....................		

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(1) Excludes parking garages operated for the benefit of Alexander's.

(2) Excludes approximately 150,000 square feet of enclosed, common area space.

(3) Alexander's is evaluating redevelopment plans for this site which may involve razing the existing buildings and developing a large multi-use building.

(4) Alexander's has received approvals to develop a shopping center at this site containing up to 650,000 square feet.

Alexander's estimates that its capital expenditures for redevelopment projects at the above properties will include: (i) approximately $90,000,000 to $100,000,000 for the redevelopment of its Paramus property, (ii) approximately $15,000,000 for improvements to its Kings Plaza Shopping Center and (iii) $300,000,000 to develop its Lexington Avenue site. While Alexander's anticipates that financing will be available after tenants have been obtained for these redevelopment projects, there can be no assurance that such financing will be obtained, or if obtained, that such financings will be on terms that are acceptable to the Company. In addition, it is uncertain as to when these projects will commence.

HOTEL PENNSYLVANIA

In September 1997, the Company acquired a 40% interest in the Hotel Pennsylvania, which is located on Seventh Avenue opposite Madison Square Garden in Manhattan, New York. The property was acquired in a joint venture with Hotel Properties Limited and Planet Hollywood International, Inc. The venture intends to refurbish the property creating a sports-themed hotel and entertainment complex. Under the joint venture, Hotel Properties Limited and Planet Hollywood International, Inc. have 40% and 20% interests, respectively. The Hotel Pennsylvania contains approximately 800,000 square feet of hotel space with 1,700 rooms and 400,000 square feet of retail and office space. The Company manages the site's retail and office space, and Hotel Properties Limited manages the hotel.

On March 24, 1998, the Company entered into an agreement to increase its interest in the Hotel Pennsylvania from 40% to 80%. Under the agreement, the Company will purchase the 40% interest of Hotel Properties Limited for approximately $70 million, including $48 million of existing debt. This increase in the Company's interest is subject to reduction to 67%, should Planet Hollywood International exercise its prorata option.

For the year ended December 31, 1997 the average occupancy rate for the hotel space was 78% and the average daily rate for a hotel room was $93.

The retail and office space was 79% occupied at March 1, 1998 and was leased to 37 tenants including Sports Authority and Bally's Sports Club. The annual rent per square foot was $26.17.

In March 1998, the Company entered into an agreement to increase its interest in the Hotel Pennsylvania from 40% to as much as 80%.

INSURANCE

The Company carries comprehensive liability, fire, flood, extended coverage and rental loss insurance with respect to its properties with policy specifications and insured limits customarily carried for similar properties. Management of the Company believes that the Company's insurance coverage conforms to industry norms.

ITEM 3. LEGAL PROCEEDINGS

In January 1997, two individual investors in Mendik Real Estate Limited Partnership ("RELP"), the publicly held limited partnership that indirectly owns a 60% interest in the Two Park Avenue Property, filed a purported class action against NY Real Estate Services 1, Inc. ("NY Real Estate"), Mendik RELP Corp., B&B Park Avenue, L.P. (an indirect subsidiary of the Company which acquired the remaining 40% interest in Two Park Avenue) and Bernard H. Mendik in the Supreme Court of the State of New York, County of New York, on behalf of all persons holding limited partnership interests in RELP. The complaint alleges that, for reasons which include purported conflicts of interest, the defendants breached their fiduciary duty to the limited partners, that the then proposed transfer of the 40% interest in Two Park Avenue would result in a burden on the operation and management of Two Park Avenue and that the transfer of the 40% interest violates RELP's right of first refusal to purchase the interest being transferred and fails to provide limited partners in RELP with a comparable transfer opportunity. Shortly after the filing of the complaint, another limited partner represented by the same attorneys filed an essentially identical complaint in the same court. Both complaints seek unspecified damages, an accounting and a judgment requiring either the liquidation of RELP and the appointment of a receiver or an auction of Two Park Avenue. Discussions to settle the actions have been ongoing, but no settlement has been reached. In August 1997, a fourth limited partner, represented by separate counsel, commenced another purported class action in the same court by serving a complaint essentially identical to the complaints in the two previously commenced actions. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company.

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

No matters were submitted to a vote of security holders of Vornado or the Operating Partnership during the fourth quarter of the year ended December 31, 1997.

EXECUTIVE OFFICERS OF THE REGISTRANT

The Operating Partnership is managed by Vornado, its general partner. The following is a list of the names, ages, principal occupations and positions with Vornado of the executive officers of Vornado and the positions held by such officers during the past five years. All executive officers of Vornado have terms of office

which run until the next succeeding meeting of the Board of Trustees of Vornado following the Annual Meeting of Shareholders unless they are removed sooner by the Board.

NAME	AGE	PRINCIPAL OCCUPATION, POSITION AND OFFICE (CURRENT AND DURING PAST FIVE YEARS WITH VORNADO UNLESS OTHERWISE STATED)
Steven Roth.................	56	Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee of the Board; the Managing General Partner of Interstate Properties, an owner of shopping centers and an investor in securities and partnerships; Chief Executive Officer of Alexander's, Inc. since March 2, 1995 and a Director since 1989.
Michael D. Fascitelli.......	41	President and a Trustee since December 2, 1996; Director of Alexander's, Inc. since December 2, 1996; Partner at Goldman, Sachs & Co. in charge of its real estate practice from December 1992 to December 1996; and Vice President at Goldman, Sachs & Co., prior to December 1992.
Bernard Mendik..............	68	Co-Chairman of the Board since April 28, 1997 and Chief Executive Officer of the Mendik Division since April 15, 1997; Chairman of the Board of Directors of Mendik Realty from 1990 until April 15, 1997.
David R. Greenbaum..........	46	President of the Mendik Division since April 15, 1997; President of Mendik Realty from 1990 until April 15, 1997.
Joseph Macnow...............	52	Executive Vice President -- Finance and Administration since January 1998; Vice President -- Chief Financial Officer from 1985 to January 1998; Vice President -- Chief Financial Officer of Alexander's, Inc. since August 1995
Richard T. Rowan............	51	Vice President -- Real Estate
Irwin Goldberg..............	53	Vice President -- Chief Financial Officer since January 1998; Partner at Deloitte & Touche LLP from September 1978 to January 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is no established public trading market for the units of the Operating Partnership. At December 31, 1997, there were 211 unitholders of record.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)				
OPERATING DATA					
Revenues:					
Property rentals	$ 168,321	$ 87,424	$ 80,429	$ 70,755	$ 67,213
Expense reimbursements	36,652	26,644	24,091	21,784	19,839
Other income	4,158	2,819	4,198	1,459	1,738
Total Revenues	209,131	116,887	108,718	93,998	88,790
Expenses:					
Operating	74,745	36,412	32,282	30,223	27,994
Depreciation and amortization	22,983	11,589	10,790	9,963	9,392
General and administrative	13,580	5,167	6,687	6,495	5,890
Amortization of officer's deferred compensation expense	22,917	2,083	--	--	--
Costs incurred in connection with the merger of Vornado, Inc. into Vornado Realty Trust	--	--	--	--	856
Total Expenses	134,225	55,251	49,759	46,681	44,132
Operating Income	74,906	61,636	58,959	47,317	44,658
Income applicable to Alexander's	7,873	7,956	3,954	--	--
Income from partially-owned entities	4,658	1,855	788	--	--
Interest and other investment income	23,767	6,643	5,733	8,132	11,883
Interest and debt expense	(42,888)	(16,726)	(16,426)	(14,209)	(31,155)
Benefit for income taxes	--	--	--	--	6,369
Net Income	68,316	61,364	53,008	41,240	31,755
Preferred unit distributions	(15,549)	--	--	--	--
Preferential allocations	(7,293)	--	--	--	--
Net income applicable to Class A units	$ 45,474	$ 61,364	$ 53,008	$ 41,240	$ 31,755
Net income per Class A unit -- basic(1)	$ .83	$1.26	$1.13	$ .95	$.80
Net income per Class A unit -- diluted(1)	$ .79	$1.25	$1.12	$ .94	$.71
Cash distributions declared for Class A units	1.36	1.22	1.12	1.00	.75*
BALANCE SHEET DATA					
Total assets	$2,524,089	$ 565,204	$ 491,496	$ 393,538	$ 385,830
Real estate, at cost	1,564,093	397,298	382,476	365,832	340,415
Accumulated depreciation	173,434	151,049	139,495	128,705	118,742
Debt	956,654	232,387	233,353	234,160	235,037
Total partners' capital	1,492,329	276,257	194,274	116,688	115,737

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* Does not include special distribution of $1.68 per Class A unit of accumulated earnings and profits paid in June 1993.

	YEAR ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
	(IN THOUSANDS)				
OTHER DATA					
Funds from operations(2):					
Net income applicable to Class A units	$ 45,474	$ 61,364	$ 53,008	$ 41,240	$ 31,755
Benefit for income taxes	--	--	--	--	(6,369)
Depreciation and amortization of real property	22,413	11,154	10,019	9,192	8,842

Straight-lining of property rentals for rent escalations	(3,359)	(2,676)	(2,569)	(2,181)	(2,200)
Leasing fees received in excess of income recognized	1,733	1,805	1,052	--	--
Losses/(gains) on sale of securities	--	--	360	(51)	(263)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations:					
Cold Storage Companies	4,183	--	--	--	--
Alexander's	(2,471)	(2,331)	539	--	--
Mendik partially-owned office buildings	2,891	--	--	--	--
Hotel Pennsylvania	457	--	--	--	--
Charles E. Smith Commercial Realty L.P.	1,298	--	--	--	--
Costs incurred in connection with the merger of Vornado, Inc. into Vornado Realty Trust	--	--	--	--	856
Funds from operations	$ 72,619	$ 69,316	$ 62,409	$ 48,200	$ 32,621
Cash flow provided by (used in):					
Operating activities	$ 110,754	$ 70,703	$ 62,882	$ 46,948	$ 27,725
Investing activities	(1,064,484)	14,912	(103,891)	(15,434)	1,350
Financing activities	1,219,988	(15,046)	36,577	(32,074)	(56,433)

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(1) The earnings per unit amounts prior to 1997 have been restated to comply with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). For further discussion of earnings per unit and the impact of SFAS 128, see the notes to the consolidated financial statements. All unit and per unit information has also been adjusted for a 2-for-1 unit split in October 1997.

(2) 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 employed 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 to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee income.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Years Ended December 31, 1997 and December 31, 1996

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income, were $209,131,000 in the year ended December 31, 1997, compared to $116,887,000 in the prior year, an increase of $92,244,000. This increase was primarily comprised of $90,520,000 of revenues from properties acquired in 1997.

Property rentals were $168,321,000 in the year ended December 31, 1997, compared to $87,424,000 in the prior year, an increase of $80,897,000. This increase resulted from:

1997 Acquisitions:	
Mendik	$56,958,000
90 Park Avenue	9,874,000

Montehiedra shopping center	6,386,000
Riese	2,485,000
Green Acres Mall	937,000
	76,640,000
Full year effect of a 1996 Acquisition	472,000
Shopping center leasing activity	1,907,000
Step-ups in shopping center leases	1,878,000
	$80,897,000

Tenant expense reimbursements were $36,652,000 in the year ended December 31, 1997, compared to $26,644,000 in the prior year, an increase of $10,008,000. This increase was primarily comprised of $11,320,000 of reimbursements from tenants at properties acquired in 1997, partially offset by a reduction in reimbursements at the Company's other properties due to lower expenses passed through to tenants.

Operating expenses were $74,745,000 in the year ended December 31, 1997, as compared to $36,412,000 in the prior year, an increase of $38,333,000. This increase was primarily comprised of $39,645,000 of expenses from properties acquired in 1997, partially offset by lower snow removal costs and repairs and maintenance at the Company's other properties.

Depreciation and amortization expense increased in 1997 as compared to 1996, primarily as a result of acquisitions.

General and administrative expenses were $13,580,000 in the year ended December 31, 1997 compared to $5,167,000 in the prior year, an increase of $8,413,000. This increase resulted primarily from (i) Mendik Division payroll and corporate office expenses of $2,760,000, (ii) cash compensation attributable to the employment of the Company's President of $2,350,000 and (iii) professional fees of $1,641,000.

The Company recognized expense of $22,917,000 in the year ended December 31, 1997 and $2,083,000 in the prior year representing the amortization of the $25,000,000 deferred payment due to the Company's President.

Income applicable to Alexander's (loan interest income, equity in income and depreciation) was $7,873,000 in the year ended December 31, 1997, compared to $7,956,000 in the prior year, a decrease of $83,000. This decrease resulted primarily from a $327,000 reduction in loan interest income due to the reset of the interest rate on the loan; partially offset by an increase in equity in non-recurring income.

Income from partially-owned entities was $4,658,000 in the year ended December 31, 1997, compared to $1,855,000 in the prior year, an increase of $2,803,000. This increase consists of: (i) $1,720,000 from the Cold Storage Companies, (ii) $424,000 from partially owned properties acquired as part of the Mendik Transaction, (iii) $1,055,000 from the Company's 40% interest in Hotel Pennsylvania and (iv) $85,000 from the

Company's 15% interest in Charles E. Smith Commercial Realty L.P., partially offset by (v) lower management fee income.

Interest and other investment income (interest income on mortgage loans receivable, other interest income, dividend income and net gains on marketable securities) was $23,767,000 for the year ended December 31, 1997, compared to $6,643,000 in the prior year, an increase of $17,124,000. Of this increase, $9,047,000 resulted primarily from income earned on higher average investments (resulting from proceeds from stock offerings and temporary borrowings) and $7,901,000 resulted from investments in mortgage loans receivable.

Interest and debt expense was $42,888,000 for the year ended December 31, 1997, compared to $16,726,000 in the prior year, an increase of $26,162,000. Of this increase, (i) $13,369,000 resulted from borrowings under the Company's revolving credit facility and a term loan, (ii) $9,009,000 resulted from debt on the properties acquired in the Mendik Transaction and (iii) $3,784,000 resulted from borrowings related to the acquisition of the Montehiedra Town Center in April 1997.

The preferential allocations to Class C, D and E unit holders in the Operating Partnership aggregated $7,293,000 for the year ended December 31, 1997.

The preferred unit distributions of $15,549,000 apply to the 6.5% preferred shares issued in April 1997 and include accretion of expenses of issuing them of $1,918,000.

The Company operates in a manner intended to enable Vornado to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code of 1986 as amended. Under those sections, a REIT which distributes at least 95% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. The Company has distributed to its shareholders an amount greater than its taxable income. Therefore, no provision for Federal income taxes is required.

Years Ended December 31, 1996 and December 31, 1995

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income, were $116,887,000 in 1996, compared to $108,718,000 in 1995, an increase of $8,169,000 or 7.5%.

Property rentals from shopping centers were $80,001,000 in 1996, compared to $74,255,000 in 1995, an increase of $5,746,000 or 7.7%. Of this increase, (i) $3,800,000 resulted from rental step-ups in existing tenant leases which are not subject to the straight-line method of revenue recognition and (ii) $2,000,000 resulted from expansions and an acquisition. Property rentals received from new tenants were approximately the same as property rentals lost from vacating tenants. Percentage rent included in property rentals was $936,000 in 1996, compared to $959,000 in 1995.

Property rentals from the remainder of the portfolio were $7,423,000 in 1996, compared to $6,174,000 in 1995, an increase of $1,249,000 or 20.2%. Of this increase, $650,000 resulted from the purchase of an office building in June 1996.

Tenant expense reimbursements, which consist of the tenants' pro-rata share of common area maintenance expenses (such as snow removal costs, landscaping and parking lot repairs), real estate taxes and insurance, were $26,644,000 in 1996, compared to $24,091,000 in 1995, an increase of $2,553,000. This increase reflects a corresponding increase in operating expenses passed through to tenants.

Other income was $2,819,000 in 1996, compared to $4,198,000 in 1995, a decrease of $1,379,000. This decrease resulted primarily from (i) including management and development fee income from Alexander's in "Income from Partially-Owned Entities" rather than in "Other income" for a full year in 1996, compared to six months in 1995 and (ii) the recognition of leasing fee income in the first quarter of 1995 from Alexander's of $915,000 applicable to 1993 and 1994 (no leasing fee income was recognized prior to 1995 because required conditions had not been met), partially offset by (iii) the increase in management, development and leasing fees from Interstate Properties.

Operating expenses were $36,412,000 in 1996, compared to $32,282,000 in 1995, an increase of $4,130,000. Of this increase, (i) $3,100,000 were passed through to tenants and consisted of higher snow removal costs of $1,500,000, increased real estate taxes of $1,000,000 and other common area maintenance expense increases of $600,000 and (ii) $500,000 resulted from increases in rent expense and other property expenses. In addition, in 1995 operating expenses were partially offset by real estate tax refunds and other miscellaneous income of approximately $500,000.

Depreciation and amortization expense increased by $799,000 in 1996, compared to 1995, as a result of expansions and an acquisition.

General and administrative expenses were $5,167,000 in 1996, compared to $6,687,000 in 1995, a decrease of $1,520,000. This decrease resulted primarily from a reduction in corporate office expenses caused by the third quarter 1995 assignment of the Company's Management and Development Agreement with Alexander's to Vornado Management Corp. ("VMC").

In December 1996, the Company recognized an expense of $2,083,000, representing one month's amortization of the $25,000,000 deferred payment due to the Company's President. The balance of the deferred payment will be amortized in 1997.

Income applicable to Alexander's (loan interest income, equity in income and depreciation) was $7,956,000 for the year ended December 31, 1996, compared to $3,954,000 in the prior year, an increase of $4,002,000. This increase resulted from (i) lower operating losses at Alexander's caused by the commencement of rent at the Rego Park I property in March 1996, (ii) the recognition of $2,053,000 of non-recurring income as a result of the reversal of a liability which is no longer required and (iii) interest income on the loan to Alexander's for a full year in 1996, compared to a ten month period in 1995.

In July 1995, the Company assigned its Management Agreement with Alexander's to VMC. In exchange, the Company received 100% of the non-voting preferred stock of VMC which entitles it to 95% of the economic benefits of VMC through distributions. In addition, the Company lent $5,000,000 to VMC for working capital purposes under a three-year term loan bearing interest at the prime rate plus 2%. VMC is responsible for its pro-rata share of compensation and fringe benefits of employees and 30% of other expenses which are common to both Vornado and VMC. Income from investment in and advances to VMC (now included in "Income from partially-owned entities") was $1,855,000 for the year ended December 31, 1996, compared to $788,000 for the period from July 6th to December 31, in 1995. Income from investment in and advances to VMC for the year ended December 31, 1996 reflects additional fee income earned by VMC in the first quarter of 1996 relating to the substantial completion of the redevelopment of Alexander's Rego Park I property.

Interest and other investment income was $6,643,000 for 1996, compared to $5,733,000 in 1995, an increase of $910,000 or 15.9%. This increase resulted from higher net gains on marketable securities and the yield earned on the mortgage note receivable exceeding the yield earned on the investment of such funds in 1995.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows for the Years Ended December 31, 1997, 1996 and 1995

Year Ended December 31, 1997

Cash flows provided by operating activities of $110,754,000 was comprised of (i) net income of $61,023,000, (ii) adjustments for non-cash items of $39,723,000 and (iii) the net change in operating assets and liabilities of $10,008,000. The adjustments for non-cash items are primarily comprised of (i) amortization of deferred officer's compensation expense of $22,917,000 and (ii) depreciation and amortization of $24,460,000.

Net cash used in investing activities of $1,064,484,000 was primarily comprised of (i) acquisitions of real estate of $887,423,000 (see detail below), (ii) investments in mortgage loans receivable of $71,663,000 (see detail below), (iii) capital expenditures of $23,789,000, (iv) restricted cash for tenant improvements of

$27,079,000 and (v) real estate deposits of $46,152,000. Acquisitions of real estate and investments in mortgage loans receivable are comprised of:

	CASH	DEBT ASSUMED	VALUE OF VORNADO SHARES OR UNITS ISSUED*	TOTAL CONSIDERATION
	(AMOUNTS IN THOUSANDS)			
Real Estate:				
Mendik Transaction	$263,790	$215,279	$177,000	$ 656,069
60% interest in Cold Storage Companies	243,846	376,800	--	620,646
Green Acres Mall	--	125,000	102,015	227,015
90 Park Avenue office building	185,000	--	--	185,000
Montehiedra shopping center	11,000	63,000	--	74,000
40% interest in Hotel Pennsylvania	17,487	48,000	--	65,487
640 Fifth Ave. office building	64,000	--	--	64,000
15% interest in Charles E. Smith Commercial Realty L.P.	60,000	--	--	60,000
Riese properties	26,000	--	--	26,000
1135 Third Avenue and other	16,300	--	--	16,300
	887,423	828,079	279,015	1,994,517
Mortgage loans receivable:				
Riese properties	41,649			41,649
20 Broad Street	27,000			27,000
909 Third Ave. and other, net	3,014			3,014
	71,663			71,663
Total Acquisitions	$959,086	$828,079	$279,015	$2,066,180

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* Valued at time of acquisition.

Net cash provided by financing activities of $1,219,988,000 was primarily comprised of proceeds from (i) borrowings of $770,000,000, (ii) issuance of common shares of Vornado of $688,672,000, and (iii) issuance of preferred shares of $276,000,000, partially offset by (iv) repayment of borrowings of

$409,633,000, (v) distributions to Class A unitholders of $77,461,000, (vi) preferred unit distributions of $15,549,000 and (vii) the repayment of borrowings on U.S. Treasury obligations of $9,636,000.

Year Ended December 31, 1996

Cash flows provided by operating activities of $70,703,000 was comprised of (i) net income of $61,364,000 and (ii) adjustments for non-cash items of $9,972,000, less (iii) the net change in operating assets and liabilities of $633,000. The adjustments for non-cash items are primarily comprised of depreciation and amortization of $12,586,000 and amortization of deferred officers compensation expense of $2,083,000, partially offset by the effect of straight-lining of rental income of $2,676,000 and equity in income from Alexander's of $1,108,000. The net change in "Leasing fees receivable" and "Deferred leasing fee income" included in item (iii) above reflects a decrease of $1,717,000 resulting from the rejection of a lease by an Alexander's tenant in March 1996 and an increase of $1,738,000 resulting from the releasing of a portion of this space. "Leasing fees receivable" of $2,500,000 were collected during this period.

Net cash provided by investing activities of $14,912,000 was comprised of (i) proceeds from sale or maturity of securities available for sale of $46,734,000, partially offset by (ii) the Company's investment in a mortgage note receivable of $17,000,000 and (iii) capital expenditures of $14,822,000 (including $8,923,000 for the purchase of an office building).

Net cash used in financing activities of $15,046,000 was primarily comprised of (i) distributions to Class A unitholders of $59,558,000, (ii) the net repayment of borrowings on U.S. Treasury obligations of $34,239,000, (iii) the net repayment on mortgages of $966,000, partially offset by (iv) net proceeds from the issuance of common shares of Vornado of $73,060,000 and (v) the proceeds from the exercise of stock options of Vornado of $6,657,000.

Cash increased during the period from December 31, 1995 to December 31, 1996 from $19,127,000 to $89,696,000 primarily as the result of the issuance of common shares of Vornado in the fourth quarter of 1996 as noted above.

Year Ended December 31, 1995

Cash flows provided by operating activities of $62,882,000 was comprised of: (i) net income of $53,008,000 and (ii) adjustments for non-cash items of $11,305,000 less (iii) the net change in operating assets and liabilities of $1,431,000. The adjustments for non-cash items are primarily comprised of depreciation and amortization of $11,779,000, plus equity in loss of Alexander's of $2,389,000, partially offset by the effect of straight-lining of rental income of $2,569,000. Further, during this period in connection with the Alexander's transaction, "Leasing fees and other receivables" increased by $7,656,000 and "Deferred leasing fee income" correspondingly increased by $8,888,000. These amounts have been included in "Changes in assets and liabilities: other" in the Consolidated Statements of Cash Flows and are part of the net change in operating assets and liabilities shown in item (iii) above.

Net cash used in investing activities of $103,891,000 was comprised of (i) the Company's investment in and advances to Alexander's of $100,482,000, (ii) capital expenditures of $16,644,000, (iii) a loan to VMC of $5,074,000 and (iv) purchases of securities available for sale of $4,027,000, partially offset by (v) the net proceeds from the sale of securities available for sale of $22,336,000.

Net cash provided by financing activities of $36,577,000 was primarily comprised of (i) net proceeds from issuance of common shares of Vornado of $79,831,000, and (ii) net borrowings on U.S. Treasury obligations of $9,600,000, partially offset by (iii) distributions to Class A unitholders of $52,875,000.

Funds from Operations for the Years Ended December 31, 1997 and 1996

Funds from operations were $72,619,000 in the year ended December 31, 1997, compared to $69,316,000 in the prior year, an increase of $3,303,000 or 4.8%. Funds from operations for this year reflect amortization of the deferred payment due to the Company's President and related compensation of $25,397,000, compared to $2,157,000 in the prior year. The following table reconciles funds from operations and net income:

	YEAR ENDED	
	DECEMBER 31, 1997	DECEMBER 31, 1996
Net income applicable to Class A units....................	$45,474,000	$61,364,000

Depreciation and amortization of real property	22,413,000	11,154,000
Straight-lining of property rentals for rent escalations	(3,359,000)	(2,676,000)
Leasing fees received in excess of income recognized	1,733,000	1,805,000
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations	6,358,000	(2,331,000)
Funds from operations	$72,619,000	$69,316,000

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 to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee income. Below are the cash flows provided by (used in) operating, investing and financing activities:

	FOR THE YEAR ENDED	
	DECEMBER 31, 1997	DECEMBER 31, 1996
Operating activities	$ 110,754,000	$ 70,703,000
Investing activities	$(1,064,484,000)	$ 14,912,000
Financing activities	$ 1,219,988,000	$(15,046,000)

Certain Cash Requirements

The Company has budgeted approximately $51,000,000 for capital expenditures (excluding acquisitions) over the next year of which (i) $38,500,000 is for tenant improvements and leasing costs at its office properties, (ii) $5,500,000 is for rebuilding the Lodi Shopping Center, net of expected insurance proceeds, (iii) $1,500,000 is for tenant improvements and renovations at its shopping center properties and (iv) $4,300,000 is for recurring maintenance.

In addition to the Company's budgeted capital expenditures, below is a summary of certain other transactions affecting the Company's liquidity at December 31, 1997:

	CAPITAL REQUIRED
Acquisitions completed subsequent to December 31, 1997:	
One Penn Plaza (purchase price of $410,000,000 less a deposit of $41,000,000 made in December 1997 and indebtedness of $93,000,000)	$276,000,000
150 East 58th Street	118,000,000
Pending acquisitions:	
Kennedy Properties (purchase price of $625,000,000 less value of Operating Partnership Units to be issued of $110,000,000 and debt to be assumed of $50,000,000)	465,000,000
YMCA Development	55,000,000
Capital expenditures for the Hotel Pennsylvania (the	

Company's 40% share)..................................	25,000,000

	$939,000,000
	============

The capital expenditures shown above would increase as a result of the Company's proposed increased ownership of the Hotel Pennsylvania (see Item 2. -- Properties).

The Company expects that the Cold Storage Companies and Alexander's, in which the Company owns partial interests, will separately fund their capital expenditures. (See Item 2. -- Properties)

The $20,000,000 convertible obligation, payable at Vornado's option in 919,540 of its Common Shares or the cash equivalent of their appreciated value, to Michael D. Fascitelli, the Company's President, vested as of December 2, 1997.

In July 1997, the Company obtained a $600,000,000 unsecured three-year revolving credit facility. In February 1998, the facility was increased to $1,000,000,000. At December 31, 1997, the Company had $370,000,000 outstanding under the facility.

In February 1998, the Company completed a $160,000,000 refinancing of the Green Acres Mall and prepaid the then existing $118,000,000 debt on the property. The new 10-year debt matures in March 2008 and bears interest at 6.75%.

The Company has an effective shelf registration under which it can offer an aggregate of $2.0 billion of equity securities and an aggregate of $1.0 billion of debt securities.

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

ACQUISITION ACTIVITY

As a result of acquisitions, the book value of the Company's assets have grown from $565,204,000 at December 31, 1996 to $2,524,089,000 at December 31, 1997. In addition, another $528,000,000 in acquisitions were completed through March 6, 1998 and $907,000,000 in acquisitions were pending at that date.

The Company's success is affected by its ability to integrate the assets and businesses it acquires and to effectively manage those assets and businesses. The Company currently expects to continue to grow at a relatively fast pace. However, its ability to do so will be dependent on a number of factors, including, among others, (a) the availability of reasonably priced assets that meet the Company's acquisition criteria and (b) the price of Vornado's common stock, the rates at which the Company is able to borrow money and, more generally, the availability of financing on terms that, in the Company's view, make such acquisitions financially attractive.

RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board has recently issued several new accounting pronouncements. Statement No. 128, "Earnings per Share," establishes standards for computing and presenting earnings per share, and is effective for financial statements for both interim and annual periods ending after December 15, 1997. Statement No. 129, "Disclosure of Information about Capital Structure," establishes standards for disclosing information about an entity's capital structure, and is effective for financial statements for periods ending after December 15, 1997. Statement No. 130, "Reporting Comprehensive Income," establishes standards for reporting and display of comprehensive income and its components, and is effective for fiscal years beginning after December 15, 1997. Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers, and is effective for financial statements for periods beginning after December 15, 1997.

Management has incorporated the required disclosures under Statements Nos. 128 and 129 in its financial statements, and does not believe that the other new standards will have a material effect on reported operating results, per share amounts, financial position or cash flow.

YEAR 2000 ISSUES

Many of the world's computer systems currently record years in a two-digit format. Such computer systems may be unable to properly interpret dates beyond the year 1999, which could lead to business disruptions in the United States and internationally (the "Year 2000" issue). The potential costs and uncertainties associated with the Year 2000 issue will depend on a number of factors, including software, hardware and the nature of the industry in which a company operates. Additionally, companies must coordinate with other entities with which they electronically interact, such as customers, creditors and borrowers. Year 2000 compliance programs and information systems modifications are being initiated in an attempt to ensure that these systems and key processes will remain functional. This objective is expected to be achieved either by modifying present systems using existing internal and external programming resources or by installing new systems, and by monitoring supplier and other third-party interfaces. While there can be no assurance that all such modifications will be successful, management does not expect that either costs of

modifications or consequences of any unsuccessful modifications should have a material adverse effect on the financial position, results of operations or liquidity of the Company.

ECONOMIC CONDITIONS

Substantially all of the Company's leases contain step-ups in rent. Such rental increases are not designed to, and in many instances do not, approximate the cost of inflation, but do have the effect of mitigating the adverse impact of inflation. In addition, substantially all of the Company's leases contain provisions that require the tenant to reimburse the Company for the tenant's share of common area charges (including roof and structure in strip shopping centers, unless it is the tenant's direct responsibility) and real estate taxes or for increases of such expenses over a base amount, thus offsetting, in part, the effects of inflation on such expenses.

Inflation did not have a material effect on the Company's results for the periods presented.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH INDEPENDENT AUDITORS' ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

INDEPENDENT AUDITORS' REPORT

Partners
Vornado Realty L.P.
Saddle Brook, New Jersey

We have audited the accompanying consolidated balance sheets of Vornado Realty L.P. as of December 31, 1997 and 1996, and the related consolidated statements of income, partners' capital and cash flows for each of the three years in the period ended December 31, 1997. Our audits also included the financial statement schedules listed in the Index at Item 14. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Vornado Realty L.P. at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 25, 1998

VORNADO REALTY L.P.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1997	DECEMBER 31, 1996
	(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)	
ASSETS		
Real estate, at cost:		
Land	$ 436,274	$ 61,278
Buildings and improvements	1,118,334	327,485
Leasehold improvements and equipment	9,485	8,535
Total	1,564,093	397,298
Less accumulated depreciation and amortization	173,434	151,049
Real estate, net	1,390,659	246,249
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of $8,775 and $17,036	355,954	89,696
Restricted cash	27,079	--
Marketable securities	34,469	27,549
Investments in partially-owned entities, including investment in and advances to Alexander's of $108,752 and $107,628	482,787	112,821
Due from officer	8,625	8,418
Accounts receivable, net of allowance for doubtful accounts of $658 and $575	16,663	9,786
Mortgage loans receivable	88,663	17,000
Receivable arising from the straight-lining of rents	24,127	17,052
Other assets	95,063	13,716
Officer's deferred compensation expense	--	22,917
	$2,524,089	$565,204
LIABILITIES AND PARTNERS' CAPITAL		
Notes and mortgages payable	$ 956,654	$232,387
Due for U.S. Treasury obligations	--	9,636
Accounts payable and accrued expenses	36,538	9,905
Officer's compensation payable	25,000	25,000
Deferred leasing fee income	9,927	8,373
Other liabilities	3,641	3,646
Total liabilities	1,031,760	288,947
Commitments and contingencies		
Partners' capital:		
Preferred units of beneficial interest: no par value per unit; authorized, 20,000,000 units; liquidation preference $50.00 per unit ($289,466); issued and outstanding, 5,789,315 units, stated at	279,884	--
General partner units issued and outstanding, 72,164,654		

and 53,095,360 units	1,149,272	359,918
Limited partnership units; issued and outstanding, 5,681,124 units	178,567	--
Partnership deficit	(109,561)	(77,574)
	1,498,162	282,344
Unrealized loss on securities available for sale	(840)	(998)
Due from officers for purchase of units of beneficial interest	(4,993)	(5,089)
Total partners' capital	1,492,329	276,257
	$2,524,089	$565,204

See notes to consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED		
	DECEMBER 31, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995
	(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
Revenues:			
Property rentals	$168,321	$ 87,424	$ 80,429
Expense reimbursements	36,652	26,644	24,091
Other income (including fee income from related parties of $1,752, $2,569 and $4,123)	4,158	2,819	4,198
Total revenues	209,131	116,887	108,718
Expenses:			
Operating	74,745	36,412	32,282
Depreciation and amortization	22,983	11,589	10,790
General and administrative	13,580	5,167	6,687
Amortization of officer's deferred compensation expense	22,917	2,083	--
Total expenses	134,225	55,251	49,759
Operating income	74,906	61,636	58,959
Income applicable to Alexander's	7,873	7,956	3,954
Income from partially-owned entities	4,658	1,855	788
Interest and other investment income	23,767	6,643	5,733
Interest and debt expense	(42,888)	(16,726)	(16,426)
Net income	68,316	61,364	53,008
Preferred unit distributions	(15,549)	--	--
Preferential allocations	(7,293)	--	--
NET INCOME applicable to Class A units	$ 45,474	$ 61,364	$ 53,008
NET INCOME PER CLASS A UNIT -- BASIC	$ .83	$ 1.26	$ 1.13
NET INCOME PER CLASS A UNIT -- DILUTED	$ .79	$ 1.25	$ 1.12

See notes to consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

	PREFERRED UNITS	LIMITED PARTNERS	GENERAL PARTNER	DEFICIT	UNREALIZED GAIN(LOSS) ON SECURITIES AVAILABLE FOR SALE	DUE FROM OFFICERS	TOTAL PARTNERS' CAPITAL

(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)

BALANCE, JANUARY 1, 1995.......			$ 199,050	$ (79,513)	$ 2,336	$(5,185)	$ 116,688
Net income.....................			--	53,008	--	--	53,008
Net proceeds from issuance of Class A units................			79,831	--	--	--	79,831
Distributions to Class A unitholders ($1.12 per unit)........................			--	(52,875)	--	--	(52,875)
Class A units issued under employees' share plans.......			1,320	--	--	--	1,320
Change in unrealized gains (losses) on securities available for sale...........			--	--	(3,698)*	--	(3,698)
BALANCE, DECEMBER 31, 1995.....			280,201	(79,380)	(1,362)	(5,185)	194,274
Net income.....................			--	61,364	--	--	61,364
Net proceeds from issuance of Class A units................			73,060	--	--	--	73,060
Distributions to Class A unitholders ($1.22 per unit)........................			--	(59,558)	--	--	(59,558)
Class A units issued under employees' share plans.......			6,657	--	--	--	6,657
Change in unrealized gains (losses) on securities available for sale...........			--	--	364	--	364
Forgiveness of amount due from officers.....................			--	--	--	96	96
BALANCE, DECEMBER 31, 1996.....			359,918	(77,574)	(998)	(5,089)	276,257
Net income.....................			--	68,316	--	--	68,316
Distributions to preferred unitholders ($2.37 per unit)........................			--	(15,549)	--	--	(15,549)
Preferential allocations to Unitholders..................			--	(7,293)	--	--	(7,293)
Net proceeds from issuance of preferred units (including accretion of $1,918).........	$277,918		--	--	--	--	277,918
Units issued in connection with the Mendik acquisition.......	--	$178,567	--	--	--	--	178,567
Net proceeds from issuance of Class A units................	--	--	688,672	--	--	--	688,672
Units issued in connection with Arbor acquisition............	1,966	--	100,049	--	--	--	102,015
Distributions to Class A unitholders ($1.36 per unit)........................	--	--	--	(77,461)	--	--	(77,461)
Class A units issued in connection with an employment agreement and employees' share plans..................	--	--	633	--	--	--	633
Change in unrealized gains (losses) on securities available for sale...........	--	--	--	--	158	--	158
Forgiveness of amount due from officers.....................	--	--	--	--	--	96	96
BALANCE, DECEMBER 31, 1997.....	$279,884	$178,567	$1,149,272	$(109,561)	$ (840)	$(4,993)	$1,492,329

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* Includes $3,435 in unrealized gains attributable to the Company's investment in the common stock of Alexander's, Inc.

See notes to consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED		
	DECEMBER 31, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995
	(AMOUNTS IN THOUSANDS)		

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	$ 68,316	$ 61,364	$ 53,008
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization (including debt issuance costs)	24,460	12,586	11,779
Amortization of officer's deferred compensation expense	22,917	2,083	--
Straight-lining of rental income	(7,075)	(2,676)	(2,569)
Equity in (income) loss of Alexander's	(2,188)	(1,108)	2,389
Equity in income of other investees	(4,658)	--	--
Net gain on marketable securities	(1,026)	(913)	(294)
Changes in operating assets and liabilities:	10,008	(633)	(1,431)
Net cash provided by operating activities	110,754	70,703	62,882
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of real estate	(887,423)	--	--
Investments in mortgage loans receivable	(71,663)	(17,000)	--
Cash restricted for tenant improvements	(27,079)	--	--
Additions to real estate	(23,789)	(14,822)	(16,644)
Investment in and advances to Alexander's	--	--	(100,482)
Real estate deposits and other	(46,152)	--	(5,074)
Purchases of securities available for sale	(8,378)	--	(4,027)
Proceeds from sale or maturity of securities available for sale	--	46,734	22,336
Net cash (used in) provided by investing activities	(1,064,484)	14,912	(103,891)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common units	688,672	73,060	79,831
Proceeds from issuance of preferred units	276,000	--	--
Proceeds from borrowings on U.S. Treasury obligations	--	10,000	40,000
Repayment of borrowings on U.S. Treasury obligations	(9,636)	(44,239)	(30,400)
Proceeds from borrowings	770,000	10,000	60,000
Repayments on borrowings	(409,633)	(10,966)	(60,807)
Costs of refinancing debt	(3,038)	--	(492)
Distributions to Class A unitholders	(77,461)	(59,558)	(52,875)
Distributions to Preferred unitholders	(15,549)	--	--
Issuance of units	633	6,657	1,320
Net cash provided by (used in) financing activities	1,219,988	(15,046)	36,577
Net increase (decrease) in cash and cash equivalents	266,258	70,569	(4,432)
Cash and cash equivalents at beginning of year	89,696	19,127	23,559
Cash and cash equivalents at end of year	$ 355,954	$ 89,696	$ 19,127
Supplemental Disclosure of Cash Flow Information:			
Cash payments for interest	$ 38,968	$ 15,695	$ 15,881
NON-CASH TRANSACTIONS:			
Financing assumed in acquisitions	$ 403,279	$ --	$ --
Vornado shares issued in connection with acquisitions	102,015	--	--
Units issued in connection with acquisitions	177,000	--	--
Deferred officer's compensation expense and related liability	--	25,000	--
Unrealized (loss)gain on securities available for sale	158	364	(3,698)

See notes to consolidated financial statements.

VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

Vornado Realty L.P. (the "Operating Partnership", including the operations of Vornado Realty Trust prior to the conversion described below) is a Delaware limited partnership. It commenced operations on April 15, 1997, when Vornado Realty Trust ("Vornado"), a fully-integrated real estate investment trust ("REIT"), converted to an Umbrella Partnership REIT (UPREIT) by transferring substantially all of its assets to the Operating Partnership in exchange for units. Vornado is the sole general partner of the Operating Partnership and owns a 92.7% limited partnership interest at December 31, 1997. As a result of such conversion, Vornado's activities are conducted through the Operating

Partnership. All references to the "Company" refer to Vornado and its consolidated subsidiaries, including the Operating Partnership.

The Company currently owns directly or indirectly:

(i) 59 shopping center properties in seven states and Puerto Rico;

(ii) all or portions of 14 office building properties in the New York City metropolitan area (primarily Manhattan);

(iii) eight warehouse/industrial properties in New Jersey;

(iv) approximately 29.3% of the outstanding common stock of Alexander's, Inc., which has nine properties in the New York City metropolitan area;

(v) a 60% interest in two partnerships that own Americold Corporation and URS Logistics, Inc., (collectively the "Cold Storage Companies") which own and operate 80 refrigerated, frozen and dry storage space warehouse facilities;

(vi) a 40% interest in the Hotel Pennsylvania, a New York City hotel which contains retail and office space;

(vii) a 15% limited partnership interest in Charles E. Smith Commercial Realty, which owns interests in and manages office properties in Crystal City, Arlington, Virginia, a suburb of Washington D.C., and manages additional office and other commercial properties in the Washington, D.C. area;

(viii) other real estate and investments in mortgages collateralized by various office, restaurant and other retail properties;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The accompanying consolidated financial statements include the accounts of Vornado Realty L.P. 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.

REAL ESTATE: Real estate is carried at cost, net of accumulated depreciation and amortization. Betterments, major renewals and certain costs directly related to the acquisition, improvement and leasing of real estate are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation is provided

on a straight-line basis over the assets estimated useful lives which range from 7 to 40 years. Tenant allowances are amortized on a straight-line basis over the lives of the related leases.

The Company's properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis, to the carrying amount of such property. Such carrying amount would be adjusted, if necessary, to reflect an impairment in the value of the asset.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents consist of highly liquid investments purchased with original maturities of three months or less. Cash and cash equivalents does not include cash restricted for tenant improvements at the Company's Two Penn Plaza office building.

MARKETABLE SECURITIES: Marketable securities are carried at fair market value. The Company has classified debt and equity securities which it intends to hold for an indefinite period of time as securities available for sale and equity securities it intends to buy and sell on a short term basis as trading securities. Unrealized gains and losses are included in earnings for trading securities and as a component of shareholder's equity for securities available for sale. Realized gains or losses on the sale of securities are recorded based on average cost.

At December 31, 1997 and 1996, marketable securities had an aggregate cost of $34,950,000 and $28,299,000 (of which $7,230,000 and $7,260,000 represents trading securities) and an aggregate market value of $34,469,000 and $27,549,000 (of which $7,583,000 and $7,508,000 represents trading securities). Gross unrealized gains and losses were $1,583,000 and $2,064,000 at December 31, 1997 and $606,000 and $1,356,000 at December 31, 1996.

MORTGAGE LOANS RECEIVABLE: The Company evaluates the collectibility of both interest and principal of each of its loans, if circumstances warrant, to determine whether it is impaired. A loan is considered to be impaired, when based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the loss accrual is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan's effective interest rate. Interest on impaired loans is recognized on a cash basis.

FAIR VALUE OF FINANCIAL INSTRUMENTS: All financial instruments of the Company are reflected in the accompanying consolidated balance sheets at amounts which, in management's estimation, based upon an interpretation of available market information and valuation methodologies (including discounted cash flow analyses with regard to fixed rate debt) are considered appropriate, and reasonably approximate their fair values. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of the Company's financial instruments.

DEFERRED CHARGES: Direct financing costs are deferred and amortized over the terms of the related agreements as a component of interest expense. Direct costs related to leasing activities are capitalized and amortized on a straight-line basis over the lives of the related leases. All other deferred charges are amortized on a straight-line basis in accordance with the terms of the agreements to which they relate.

REVENUE RECOGNITION: Base rents, additional rents based on tenants' sales volume and reimbursement of the tenants' share of certain operating expenses are generally recognized when due from tenants. The straight-line basis is used to recognize base rents under leases entered into after November 14, 1985, which provide for varying rents over the lease terms.

INCOME TAXES: No provision has been made for income taxes in the accompanying consolidated financial statements of the Operating Partnership since such taxes, if any, are the responsibility of the individual partners. The Company operates in a manner intended to enable Vornado to continue to qualify as a REIT

under Sections 856-860 of the Internal Revenue Code of 1986 as amended. Under those sections, a REIT which distributes at least 95% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. Vornado has distributed to shareholders an amount greater than its taxable income. Therefore, no provision for Federal income taxes is required. All dividend distributions for the three years ended December 31, 1997, are characterized for Federal income tax purposes as ordinary income.

The net basis of the Company's assets and liabilities for tax purposes is approximately $480,000,000 lower than the amount reported for financial statement purposes.

AMOUNTS PER UNIT: In 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share (SFAS 128). SFAS 128 replaced the calculation of primary and fully diluted earnings per unit with basic and diluted earnings per unit. Basic earnings per unit excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per unit is very similar to the previously reported diluted earnings per unit. All earnings per unit amounts for all periods have been presented, and where appropriate, restated to conform to the requirements of SFAS 128. All unit and per unit information has also been adjusted for a 2-for-1 unit split in October 1997.

STOCK OPTIONS: The Company accounts for stock-based compensation using the intrinsic value method. Under the intrinsic value method compensation cost is measured as the excess, if any, of the quoted market price of Vornado's stock at the date of grant over the exercise price of the option granted. Compensation cost for stock options, if any, is recognized ratably over the vesting period.

The Company's policy is to grant options with an exercise price equal to the quoted market price of Vornado's stock on the grant date. Accordingly, no compensation cost has been recognized for the Company's stock option plans. An equivalent number of units are issued when options are exercised.

3. ACQUISITIONS

The Company completed approximately $2.6 billion of real estate acquisitions or investments from January 1, 1997 through March 6, 1998 and an additional $900 million of acquisitions are pending; however, there can be no assurance that such acquisitions will ultimately be completed. These acquisitions were consummated through subsidiaries or preferred stock affiliates of the Company and were recorded under the purchase method of accounting. Related net assets and results of operations have been included in these financial statements since their respective dates of acquisition. The respective purchase costs were allocated to acquired assets and assumed liabilities using their relative fair values as of the closing dates, based on valuations and other studies which are not yet complete. Accordingly, the initial valuations are subject to change as such information is finalized. The Company believes that any such change will not be significant since the allocations were principally to real estate. The following are the details of the acquisitions or investments:

COMPLETED IN 1997

Mendik Transaction

In April 1997, Vornado consummated the acquisition of interests in all or a portion of seven Manhattan office buildings and the management company held by Bernard H. Mendik, David R. Greenbaum and certain entities controlled by them (the "Mendik Group") and certain of their affiliates (the "Mendik Transaction"), which is operated as the Mendik Division. The properties acquired include (i) four wholly owned properties: Two Penn Plaza, Eleven Penn Plaza, 1740 Broadway and 866 U.N. Plaza and (ii) three partially owned properties: Two Park Avenue (40% interest), 330 Madison Avenue (24.8% interest) and 570 Lexington Avenue (5.6% interest). The consideration for the transaction was approximately $656,000,000, including $264,000,000 in cash, $177,000,000 in the limited partnership units of the Operating Partnership issued to persons other than Vornado ("Minority Interests") and $215,000,000 in indebtedness.

Montehiedra Town Center

In April 1997, the Company acquired The Montehiedra Town Center ("Montehiedra"), a shopping center, located in San Juan, Puerto Rico, for approximately $74,000,000, of which $63,000,000 was newly issued ten-year indebtedness.

90 Park Avenue

In May 1997, the Company acquired a mortgage loan from a consortium of banks collateralized by an office building located at 90 Park Avenue, Manhattan, New York. On August 21, 1997, the Company entered into an agreement with the owners of 90 Park Avenue pursuant to which the Company restructured the mortgage, took title to the land and obtained a 43-year lease on the building under which the Company manages the building and receives the building's cash flow. As part of the restructuring, the amount of the debt was adjusted from the face value of $193,000,000 to the May 1997 acquisition cost of $185,000,000, the maturity date of the debt was extended to August 31, 2022 and the interest rate was set at 7.5%. The Company purchased the land from the borrower for $8,000,000, which was further applied to reduce the debt to $177,000,000. This investment has been classified as real estate.

Riese Transactions

In June 1997, the Company acquired four properties for approximately $26,000,000. The properties were previously owned by affiliates of the Riese Organization. These properties are located in midtown Manhattan. The Company also made a $41,000,000 mortgage loan to Riese affiliates cross-collateralized by ten other Manhattan properties. The mortgage loan has a five-year term and an initial interest rate of 9.75% increasing annually.

Hotel Pennsylvania Investment

In September 1997, the Company acquired a 40% interest in the Hotel Pennsylvania, which is located on Seventh Avenue opposite Madison Square Garden in Manhattan, New York. The property was acquired in a joint venture with Hotel Properties Limited and Planet Hollywood International, Inc. from a group of partnerships. Under the joint venture agreement, Hotel Properties Limited and Planet Hollywood International, Inc. have 40% and 20% interests, respectively. The joint venture acquired the hotel for approximately $159,000,000, of which

$120,000,000 was newly issued five-year financing. The Company's share of the purchase price was approximately $64,000,000. The Company manages the site's retail and office space, and Hotel Properties Limited manages the hotel. See "Subsequent Events."

20 Broad Street Mortgage

In September 1997, the Company purchased from a bank, at a discount, a mortgage on an office building at 20 Broad Street in Manhattan, New York for $27,000,000. The mortgage, which is in default, yields approximately 12%. The property is leased to a number of tenants. The largest such tenant, the New York Stock Exchange, leases approximately 53% of the property. As part of the Mendik Transaction previously described, the Company obtained an option to acquire from the Mendik Group its portion of the leasehold interest in this property.

Charles E. Smith Commercial Realty Investment

In October 1997, the Company acquired a 15% limited partnership interest in Charles E. Smith Commercial Realty L.P. for $60,000,000 in a partnership roll-up. The partnership owns interests in and manages office properties in Crystal City, Arlington, Virginia, a suburb of Washington, D.C., and manages additional office and other commercial properties in the Washington, D.C. area.

Cold Storage

In October 1997, two partnerships in which preferred stock affiliates of the Company have 60% interests and affiliates of Cresent Real Estate Equities Company have 40% interests acquired Americold Corporation ("Americold") and URS Logistics, Inc. ("URS") from affiliates of Kelso & Company, Inc. and other owners. Americold and URS are cold storage and logistics warehouse companies. The consideration for these transactions totaled approximately $1,000,000,000, including $628,000,000 of indebtedness. The Company's share of the purchase price was approximately $600,000,000. See "Subsequent Events."

Arbor Property Trust

In December 1997, the Company acquired Arbor Property Trust ("Arbor") for approximately 2,936,000 common shares of beneficial interest of Vornado and 39,400 Series A Convertible Preferred Shares of Vornado. The approximate value of the transaction was $225 million, subject to property level debt of $125 million. Arbor was a single property real estate investment trust which owned the Green Acres Mall, a super-regional enclosed shopping mall complex situated in Nassau County, Long Island, New York one-mile east of the borough of Queens, New York.

640 Fifth Avenue

In December 1997, the Company acquired 640 Fifth Avenue, a Manhattan office building located at the corner of 51st Street, for approximately $64 million from Met Life International Real Estate Partners Limited Partnership.

COMPLETED IN 1998 (SEE "SUBSEQUENT EVENTS")

One Penn Plaza

In February 1998, the Company acquired a long-term leasehold interest in One Penn Plaza, a Manhattan office building for approximately $410 million from Mid-City Associates.

150 East 58th Street

In March 1998, the Company acquired 150 East 58th Street (the "Architects and Design Center"), a Manhattan office building, for approximately $118 million from a limited partnership.

PENDING

Kennedy Properties (See "Subsequent Events")

In January 1998, the Company entered into a definitive agreement to acquire a real estate portfolio from Joseph P. Kennedy Enterprises for approximately $625 million, consisting of $465 million in cash, $50 million in indebtedness and an aggregate of $110 million in Operating Partnership Units and Convertible Preferred Operating Partnership Units.

YMCA Development

In September 1997, the Company entered into an agreement with the YMCA to acquire a portion of a property now occupied by the YMCA. The property overlooks

Central Park and is located between West 63rd and 64th Streets in Manhattan, New York. Pursuant to the agreement, a preferred stock affiliate of the Company will acquire and develop approximately 44,000 square feet for use by the YMCA and approximately 150,000 square feet for sale as residential condominiums. The agreement contemplates the negotiation and execution of additional related agreements. The purchase price for the property is approximately $8,400,000, and the Company estimates that development costs (including the YMCA facilities) will be approximately

$55,000,000. To date the Company has expended approximately $2,750,000 in connection with this transaction and provided the YMCA with a $5,500,000 letter of credit. The transaction is expected to close in the second quarter of 1998.

Las Catalinas Mall

The Company has an option to acquire K Mart's recently constructed anchor store and its 50% interest in the Las Catalinas Mall located in Caguas, Puerto Rico. The total purchase price is approximately $68,000,000 (substantially all of which would be financed with newly issued debt). The acquisition is expected to close in the second quarter of 1998.

Hotel Pennsylvania -- additional investment (see "Subsequent Events").

Cold Storage -- acquisition of Freezer Services, Inc. (see "Subsequent Events").

Pro Forma Information

The unaudited pro forma information set forth below presents (i) the condensed consolidated statements of income for the Company for the years ended December 31, 1997 and 1996 as if (a) the acquisitions described above (excluding the pending acquisitions in Cold Storage and Hotel Pennsylvania) and the financings attributable thereto had occurred on January 1, 1996 and (ii) the condensed consolidated pro forma balance sheet of the Company as of December 31, 1997, as if such acquisitions and financings had occurred on December 31, 1997.

Condensed Pro Forma Consolidated Income Statement

	PRO FORMA (UNAUDITED) YEAR ENDED	
	DECEMBER 31, 1997	DECEMBER 31, 1996
	(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	
Revenues	$500,200	$488,900
Net income	$122,300	$123,800
Preferred unit distributions	(20,700)	(19,800)
Preferential allocations	(16,200)	(16,200)
Net income applicable to Class A units	$ 85,400	$ 87,800
Net income per Class A unit -- basic	$1.55	$1.79
Net income per Class A unit -- diluted	$1.49	$1.78

Pro Forma revenues and net income applicable to Class A units after giving effect only to the acquisitions and financings completed prior to December 31, 1997 were $314,900,000 and $87,500,000 for the year ended December 31, 1997 and $315,600,000 and $95,550,000 for the year ended December 31, 1996. The pro forma results for the year ended December 31, 1997, include non-recurring lease cancellation income of $14,350,000, partially offset by related expenses of $2,775,000.

Condensed Pro Forma Consolidated Balance Sheet (Unaudited) at December 31, 1997
(amounts in thousands):

Total assets	$3,553,600
Total liabilities	$1,951,300
Total partners' capital	1,602,300

Total liabilities and partners' capital....................	$3,553,600

VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. INVESTMENTS IN PARTIALLY-OWNED ENTITIES

The Company's investments in partially-owned entities and income recognized from such investments is disclosed below. Summarized financial data is provided for (i) investments in entities which exceed 10% of the Company's total assets and (ii) investments in which the Company's share of partially-owned entities pre-tax income exceeds 10% of the Company's net income.

BALANCE SHEET DATA:

	COMPANY'S INVESTMENT		TOTAL ASSETS		TOTAL DEBT		TOTAL EQUITY	
	1997	1996	1997	1996	1997	1996	1997	1996
	(AMOUNTS IN THOUSANDS)							
INVESTMENTS:								
Cold Storage Companies..........	$243,846	$ --	$1,481,405	$ --	$638,047	$ --	$404,227	$ --
Alexander's..........	108,752	107,628	$ 235,074	$211,585	$208,087	$192,347	$ 13,029	$5,564
Charles E. Smith Commercial Realty L.P.	60,437	--						
Hotel Pennsylvania...	20,152	--						
Mendik Partially-Owned Office Buildings..........	37,209	--						
Vornado Management Corp. and Mendik Management Company...........	12,391	5,193						
	$482,787	$112,821						

INCOME STATEMENT DATA:

	COMPANY'S INCOME FROM PARTIALLY-OWNED ENTITIES			TOTAL REVENUES			NET INCOME (LOSS)		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
	(AMOUNTS IN THOUSANDS)								
INCOME APPLICABLE TO ALEXANDER'S................	$7,873	$7,956	$3,954	$25,369	$21,833	$11,734	$7,466*	$24,699*	$(6,731)
INCOME FROM OTHER PARTIALLY-OWNED INVESTMENTS:									
Cold Storage Companies.......	$1,720	$ --	$ --	$78,699	$ --	$ --	$ 90	$ --	$ --
Hotel Pennsylvania...........	1,055	--	--						
Charles E. Smith Commercial Realty L.P.	85	--	--						
Mendik Partially-Owned Office Buildings..................	424	--	--						
Vornado Management Corp. and Mendik Management Company....................	1,374	1,855	788						
	$4,658	$1,855	$ 788						

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* 1997 net income includes $8,914 of income from the condemnation of a portion of a property. 1996 income includes income from discontinued operations of

$11,602 and a non-recurring gain of $14,372.

Alexander's

The Company owns 29.3% of the outstanding shares of common stock of Alexander's. In March 1995, the Company lent Alexander's $45,000,000. The loan, which was scheduled to mature in March 1998, has been extended to March 1999 and the interest rate was reset from 15.60% per annum to 13.87% per annum reflecting a reduction in both the spread and the underlying treasury rate. In addition, Alexander's has approximately $163,087,000 of other indebtedness at December 31, 1997 of which: (i) $30,000,000 has been extended with the Company's loan to March 1999, (ii) $75,000,000 bearing interest at 6.82%, is due on September 15, 1998, (iii) $22,684,000 bearing interest at 10.22%, is due in February 2000 (iv) $21,812,000, bearing interest at 9.50%, is due on August 21, 1998 and (v) $13,596,000, bearing interest at 8.19%, is due on December 31, 1998. All of these loans are collateralized by Alexander's real estate.

The investment in Alexander's is comprised of:

	DECEMBER 31, 1997	DECEMBER 31, 1996
	(AMOUNTS IN THOUSANDS)	
Common stock, net of $1,596,000 and $989,000 of accumulated depreciation of buildings	$ 54,931	$ 56,952
Loan receivable	45,000	45,000
Deferred loan origination income	(83)	(583)
Leasing fees and other receivables	6,576	5,901
Equity in income (loss)	1,894	(293)
Deferred expenses	434	651
	$108,752	$107,628

Alexander's is managed by and its properties are leased by the Company, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable. The annual management fee payable to the Company by Alexander's is $3,000,000, plus 6% of development costs with minimum guaranteed fees of $750,000 per annum.

The leasing agreement provides for the Company to generally receive a fee of (i) 3% of sales proceeds and (ii) 3% of lease rent for the first ten years of a lease term, 2% of lease rent for the eleventh through the twentieth years of a lease term and 1% of lease rent for the twenty-first through thirtieth year of a lease term. Subject to the payment of rents by Alexander's tenants, the Company is due $6,244,000 at December 31, 1997. Such amount is receivable annually in an amount not to exceed $2,500,000 until the present value of such installments (calculated at a discount rate of 9% per annum) equals the amount that would have been paid had it been paid on September 21, 1993, or at the time the transactions which gave rise to the commissions occurred, if later. The Company recognized leasing fee income of $767,000, $695,000 and $1,448,000 in 1997, 1996 and 1995, respectively.

As of December 31, 1997, Interstate Properties owned approximately 16.6% of the common shares of beneficial interest of Vornado (assuming the conversion of all Operating Partnership units) and 27.1% of Alexander's common stock. Interstate Properties is a general partnership in which Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are partners. Mr. Roth is the Chairman of the Board and Chief Executive Officer of the Company, the Managing General Partner of Interstate Properties, and the Chief Executive Officer and a director of Alexander's, Messrs. Mandelbaum and Wight are trustees of the Company and are also directors of Alexander's.

The agreement with the Company and Interstate Properties not to own in excess of two-thirds of Alexander's common stock expired in March 1998.

Cold Storage Companies

Investment represents a 60% interest in two partnerships held by preferred stock affiliates and advances to the partnerships of $713,000. Income recognized is from the date of acquisition (November 1, 1997) and is comprised of a management fee of approximately $1,800,000, which represents 1% per annum of the Total Combined Assets (as defined) of the Cold Storage Companies and the Company's 60% share of equity in net income, net of the management fee.

At December 31, 1997, the Cold Storage Companies have an aggregate of $638,047,000 of debt which is comprised of (i) a $586,778,000 bridge loan maturing on October 31, 1998 and bearing interest at LIBOR plus 1.25% (7.23% at December 31, 1997) (ii) $37,041,000 of capital lease obligations and (iii) $14,228,000 of other notes and mortgages. The Cold Storage Companies are in the process of refinancing the bridge loan.

Hotel Pennsylvania

This investment represents a 40% interest in partnerships held by (i) a subsidiary of the Company for the property's commercial operations and (ii) a preferred stock affiliate for the property's hotel operations. Income is recognized from the date of acquisition (September 24, 1997) and is comprised of a fee for managing the commercial operations and equity in net income.

Charles E. Smith Commercial Realty L.P.

This investment represents a 15% interest in partnership. Income is comprised of equity in net income of the partnership for the two months ended December 31, 1997 (the period since the investment was made).

Mendik Partially-Owned Office Buildings

This investment represents the Company's interests in the partially-owned properties included in the Mendik Transaction: Two Park Avenue (40% interest) 330 Madison Avenue (24.8% interest) and 570 Lexington Avenue (5.6% interest).

Vornado Management Corp. and Mendik Management Company

These investments represent non-voting interest in preferred stock affiliates. Income is comprised of equity in the net income of preferred stock affiliates.

5. DEBT

Following is a summary of the Company's debt:

	DECEMBER 31, 1997	DECEMBER 31, 1996
	(AMOUNTS IN THOUSANDS)	
Notes and Mortgage Payable:		
Fixed Interest:		
Mortgage payable cross collateralized by an aggregate of 44 shopping centers and warehouse/industrial properties, due in 2000 with interest at 6.36% (prepayable with yield maintenance)	$ 227,000	$ 227,000
Eleven Penn Plaza mortgage payable, due in 2007, requires amortization based on a 25 year term with interest at 8.39% (prepayable after 2003 with yield maintenance)	54,612	--
866 UN Plaza mortgage payable, due in 2004, with interest at 7.79% (prepayable without penalty)	33,000	--
Monteheidra Town Center mortgage pass-through certificates, due in 2007 (52,447) and 2009 (10,251), requires amortization based on 30 year term with interest at 8.23% (prepayable after August 1999 with yield maintenance)	62,698	--
Other mortgages payable	11,344	5,387
	388,654	232,387
Variable Interest:		
Two Penn Plaza mortgage payable, due in 2005, interest at LIBOR plus .63% (6.44% at December 31, 1997) (prepayable without penalty)	80,000	--
Green Acres Mall and Plaza, collateralized notes, due on August 19, 1998, interest at LIBOR plus .78% (6.40%		

at December 31, 1997) (see below)	118,000	--
	198,000	--
Total notes and mortgages payable	586,654	232,387
Unsecured revolving credit facility, interest at LIBOR plus .83% (6.79% at December 31, 1997(see below))	370,000	--
Total Debt	$ 956,654	$ 232,387

The net carrying value of properties collateralizing the notes and mortgages amounted to $888,558 at December 31, 1997. As at December 31, 1997, the maturities for the next five years are as follows (amounts in thousands):

YEAR ENDING DECEMBER 31:	AMOUNT	
1998	$120,218	($118,000 of which has been refinanced -- see below)
1999	1,869	
2000	228,731	
2001	1,886	
2002	2,038	

In July 1997, the Company obtained a $600,000,000 unsecured three-year revolving credit facility. In February 1998, the facility was increased to $1,000,000,000. The facility contains customary loan covenants including, among others, limits on total outstanding indebtedness; maximum loan to value ratio; minimum debt service coverage and minimum market capitalization requirements. Interest is at LIBOR plus .70% to

1.00% depending on the Company's senior debt rating. The credit facility has a competitive bid option program, which allows the Company to hold auctions among banks participating in the facility for short term borrowings of up to $500,000,000. The Company paid an origination fee in July 1997 of .30%, origination and amendment fees in February 1998 of .39% and pays a commitment fee quarterly over the remaining term of the facility ranging from .15% to .20% on the facility amount.

In February 1998, the Company completed a $160,000,000 refinancing of the Green Acres Mall and prepaid the then existing $118,000,000 debt on the property. The new 10-year debt matures in March 2008, requires amortization based on a 30-year term, bears interest at 6.75% and may be defeased after 2001.

6. PARTNERS' CAPITAL

In April 1997, Vornado completed its public offering of 5,750,000 Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share. The preferred shares bear a coupon of 6 1/2% and are convertible into common shares at $36 3/8 per share. An equivalent number of units were issued to Vornado for the shares sold. The offering, net of expenses, generated approximately $276,000,000 which was used to fund the cash portion of the Mendik Transaction. Distributions on the preferred units in 1997 were approximately $15,549,000 (including accretion of expenses in connection with the offering of $1,918,000).

On October 20, 1997, the Company paid a 100% unit dividend to unitholders. All unit and per unit information has been adjusted to reflect this two-for-one unit split.

In October 1997, Vornado sold 14,000,000 common shares and an additional 2,100,000 common shares in November 1997 when the underwriters exercised in full their over-allotment option. The shares were sold at a price of $45.00 per share which, net of expenses, yielded approximately $688,672,000. An equivalent number of units were issued to Vornado for the shares sold. The net proceeds were used to repay $310,000,000 outstanding under the Company's line of credit and to fund a portion of the purchase price of certain acquisitions previously described.

In connection with the acquisition of Arbor in December 1997, the Company issued approximately 2,936,000 common shares of beneficial interest and 39,400 Series A Convertible Preferred Shares of Beneficial Interest. The approximate value of the shares issued at the time of the acquisition was $102,000,000.

7. EMPLOYEES' SHARE OPTION PLAN

Under Vornado's Omnibus Share Plan (the "Plan"), various officers and key employees have been granted incentive share options and non-qualified options to purchase common shares of Vornado. Options granted are at prices equal to 100% of the market price of Vornado's shares at the date of grant, 1,119,917 shares vest on a graduated basis, becoming fully vested 27 months after grant, 3,500,000 shares (granted in connection with Mr. Fascitelli's employment agreement) vest on a graduated basis becoming fully vested 60 months after grant and 910,000 shares (granted in connection with the Mendik Transaction) vest on a graduated basis, becoming fully vested 36 months after grant. All options expire ten years after grant. An equivalent number of units are issued when options are exercised.

The Plan also provides for the award of Stock Appreciation Rights, Performance Shares and Restricted Stock, as defined, none of which have been awarded as of December 31, 1997.

If compensation cost for Plan awards had been determined based on fair value at the grant dates, net income and income per share would have been reduced to the pro-forma amounts below, for the years ended December 31, 1997 and 1996 (amounts in thousands, except share amounts):

	DECEMBER 31, 1997	DECEMBER 31, 1996
Net income applicable to Class A units:		
As reported	$45,474	$61,364
Pro-forma	41,248	60,613
Net income per Class A unit applicable to Class A units:		
Basic:		
As reported	$ .83	$ 1.26
Pro-forma	.75	1.24
Diluted:		
As reported	.79	1.25
Pro forma	.72	1.23

The fair value of each option grant is estimated on the date of grant using the Binomial option-pricing model with the following weighted-average assumptions used for grants in the periods ending December 31, 1997 and 1996.

	DECEMBER	
	1997	1996
Expected volatility	25%	26%
Expected life	5 years	5 years
Risk-free interest rate	6.4%	5.6%
Expected dividend yield	3.4%	5.1%

A summary of the Plan's status, and changes during the years then ended, is presented below:

	DECEMBER 31, 1997		DECEMBER 31, 1996	
	SHARES/UNITS	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES/UNITS	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at January 1	4,139,386	$22.51	1,079,880	$12.27
Granted	1,521,500	29.99	3,741,500	23.14
Exercised	(33,969)	18.69	(681,994)	9.75
Cancelled	(97,000)	31.25	--	--
Outstanding at December 31	5,529,917	$24.43	4,139,386	$22.51
Options exercisable at December 31	1,327,418		420,770	
Weighted-average fair value of options granted during the year ended				

December 31 (per option)..........	$7.87	$4.75

The following table summarizes information about options outstanding under the Plan at December 31, 1997:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DECEMBER 31, 1997	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT DECEMBER 31, 1997	WEIGHTED-AVERAGE EXERCISE PRICE
$6 to $12	52,868	5.0 Years	$11	52,868	$11
$17 to $19	564,674	7.2 Years	18	502,425	18
$23	3,500,000	8.9 Years	23	700,000	23
$26	302,375	9.1 Years	26	72,125	26
$30	910,000	9.2 Years	30	--	--
$32 to $42	200,000	9.4 Years	34	--	--
$6 to $42	5,529,917	8.9 Years	$24	1,327,418	$21

Vornado shares available for future grant at December 31, 1997 were 7,945,464.

8. RETIREMENT PLAN

Prior to December 31, 1997, the Company's qualified retirement plan covered all full-time employees. The Plan provided annual pension benefits that were equal to 1% of the employee's annual compensation for each year of participation. In December 1997, benefits for active employees were frozen. The funding policy is in accordance with the minimum funding requirements of ERISA.

Pension expense includes the following components (amounts in thousands):

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995
Service cost -- benefits earned during the period....................................	$ 115	$ 108	$ 70
Interest cost on projected benefit obligation.................................	607	544	573
Actual return on assets.......................	(494)	(179)	(307)
Net amortization and deferral................	347	(59)	66
Net pension expense.....................	$ 575	$ 414	$ 402
Assumptions used in determining the net pension expense were:			
Discount rate................................	7 1/4%	7 1/2%	7 1/4%
Rate of increase in compensation levels.......	5 1/2%	5 1/2%	6 1/2%
Expected rate of return on assets............	7 %	8 %	8 %

The following table sets forth the Plan's funded status and the amount recognized in the Company's balance sheet (amounts in thousands):

	DECEMBER 31, 1997	DECEMBER 31, 1996
Actuarial present value of benefit obligations:		
Vested benefit obligation.............................	$ 8,245	$ 7,590

Accumulated benefit obligation	$ 8,337	$ 7,657
Projected benefit obligation	$ 8,337	$ 8,028
Plan assets at fair value	4,901	3,915
Projected benefit obligation in excess of plan assets	3,436	4,113
Unrecognized net obligations	(1,086)	(2,135)
Adjustment required to recognize minimum liability	1,086	1,764
Accrued pension costs	$ 3,436	$ 3,742

Plan assets are invested in U.S. government obligations and securities backed by U.S. government guaranteed mortgages.

9. LEASES

As lessor:

The Company leases space to tenants in shopping centers and office buildings under operating leases. Most of the leases provide for the payment of fixed base rentals payable monthly in advance. Shopping center leases provide for the pass-through to tenants of real estate taxes, insurance and maintenance. Office building leases generally require the tenants to reimburse the Company for operating costs and real estate taxes above their base year costs. Shopping center leases also provide for the payment by the lessee of additional rent based on a percentage of the tenants' sales. As of December 31, 1997, future base rental revenue under noncancellable operating leases, excluding rents for leases with an original term of less than one year and rents resulting from the exercise of renewal options, is as follows (amounts in thousands):

YEAR ENDING DECEMBER 31:	AMOUNT
1998	$ 215,744
1999	218,958
2000	207,757
2001	197,321
2002	185,814
Thereafter	1,522,822

These amounts do not include rentals based on tenants' sales. These percentage rents approximated $1,786,000, $936,000 and $959,000 for the years ended December 31, 1997, 1996 and 1995.

Only one of the Company's tenants, Bradlees, represented more than 10% of total property rentals for the year ended December 31, 1997. Bradlees accounted for 10.5% of total property rentals (4.2% of total pro forma property rentals). In June 1995, Bradlees filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company currently leases 16 locations to Bradlees. Of these locations, the leases for 14 are fully guaranteed by Stop & Shop Companies, Inc. ("Stop & Shop"), a wholly-owned subsidiary of Royal Ahold NV, a leading international food retailer, and one is guaranteed as to 70% of the rent.

As lessee:

The Company is a tenant under operating leases for certain properties. These leases will expire principally during the next twenty years. Future minimum lease payments under operating leases at December 31, 1997, are as follows (amounts in thousands):

YEAR ENDING DECEMBER 31:	AMOUNT
1998	$ 2,350
1999	2,274
2000	2,109
2001	2,098
2002	1,135
Thereafter	27,126

Rent expense was $2,001,000, $1,465,000 and $1,395,000 for the years ended December 31, 1997, 1996 and 1995.

10. CONTINGENCIES

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

In January 1997, two individual investors in Mendik Real Estate Limited Partnership ("RELP"), the publicly held limited partnership that indirectly owns a 60% interest in the Two Park Avenue Property, filed a purported class action against NY Real Estate Services 1, Inc. ("NY Real Estate"), Mendik RELP Corp., B&B Park Avenue, L.P. (an indirect subsidiary of the Company which acquired the remaining 40% interest in Two Park Avenue) and Bernard H. Mendik in the Supreme Court of the State of New York, County of New York, on behalf of all persons holding limited partnership interests in RELP. The complaint alleges that, for reasons which include purported conflicts of interest, the defendants breached their fiduciary duty to the limited partners, that the then proposed transfer of the 40% interest in Two Park Avenue would result in a burden on the operation and management of Two Park Avenue and that the transfer of the 40% interest violates RELP's right of first refusal to purchase the interest being transferred and fails to provide limited partners in RELP with a comparable transfer opportunity. Shortly after the filing of the complaint, another limited partner represented by the same attorneys filed an essentially identical complaint in the same court. Both complaints seek unspecified damages, an accounting and a judgment requiring either the liquidation of RELP and the appointment of a receiver or an auction of Two Park Avenue. Discussions to settle the actions have been ongoing, but no settlement has been reached. In August 1997, a fourth limited partner, represented by separate counsel, commenced another purported class action in the same court by serving a complaint essentially identical to the complaints in the two previously commenced actions. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company.

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

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

In April 1997, the Company's Lodi Shopping Center was destroyed by a fire. The Company intends to rebuild the shopping center commencing in 1998, which rebuilding is subject to the approval of local

authorities. The Company carries replacement value insurance. To date the insurance carrier has paid the Company $5,500,000 as a deposit for the above mentioned rebuilding. In the event the Company cannot rebuild the shopping center, a large portion of the deposit would be returned to the carrier. If the shopping center is rebuilt, the Company will recognize a gain measured by the total proceeds from the insurance carrier, which could amount to approximately $10,000,000, net of the book value of the property of $1,564,000.

11. REPURCHASE AGREEMENTS

The Company enters into agreements for the purchase and resale of U.S. government obligations for periods of up to one week. The obligations purchased under these agreements are held in safekeeping in the name of the Company by various money center banks. The Company has the right to demand additional collateral or return of these invested funds at any time the collateral value is less than 102% of the invested funds plus any accrued earnings thereon.

12. OTHER RELATED PARTY TRANSACTIONS

On December 2, 1996, Michael D. Fascitelli became the President of Vornado and was elected to Vornado's Board. Mr. Fascitelli signed a five-year employment contract under which, in addition to his annual salary, he received a deferred payment consisting of $5,000,000 in cash and a $20,000,000 convertible obligation payable at Vornado's option in 919,540 of its Common Shares or the cash equivalent of their appreciated value but not less than $20,000,000. Accordingly, cash of $5,000,000 and 919,540 Common Shares are being held in an irrevocable trust. The deferred payment obligation to Mr. Fascitelli vested as of December 2, 1997. Further, Mr. Fascitelli was granted options for 3,500,000 Common Shares of Vornado.

At December 31, 1997, the loans due from Mr. Roth, Mr. Rowan and Mr. Macnow in connection with their stock option exercises were $13,122,500 ($4,993,000 of which is shown as a reduction in partners' capital), $202,000 and $182,000, respectively. The loans bear interest at a rate equal to the broker call rate (7.25% at December 31, 1997) but not less than the minimum applicable federal rate provided under the Internal Revenue Code. Interest on the loan to Mr. Roth is payable quarterly. Mr. Roth's loan, which was due in December 1997, was extended for five years until December 2002. The Company has agreed on each January 1st (commencing January 1, 1997) to forgive one-fifth of the amounts due from Mr. Rowan and Mr. Macnow, provided that they remain employees of the Company.

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a management agreement for which the Company receives a quarterly fee equal to 4% of base rent and percentage rent and certain other commissions. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on sixty days' notice at the end of the term. Although the management agreement was not negotiated at arms length, the Company believes based upon comparable fees charged by other real estate companies, that its terms are fair to the Company. For the years ended December 31, 1997, 1996 and 1995, $1,184,000, $2,074,000 and $1,150,000 of management fees were earned by the Company pursuant to the management agreement.

The Mendik Group owns an entity which provides cleaning and related services and security services to office properties. The Company has entered into contracts with the Mendik Group (Bernard H. Mendik, David R. Greenbaum and certain entities controlled by them) to provide such services in its Manhattan office buildings. Although the terms and conditions of the contracts pursuant to which these services are provided were not negotiated at arms length, the Company believes based upon comparable fees charged to other real estate companies, that the terms and conditions of such contracts are fair to the Company. The Company was charged fees in connection with these contracts of $9,965,241 for the period from April 15, 1997 (date of acquisition of the Mendik portfolio) to December 31, 1997.

The common stock of the preferred stock affiliates which own interests in the Cold Storage Companies, Hotel Pennsylvania and related management companies is owned by Officers and Trustees of Vornado.

13. PREFERENTIAL ALLOCATIONS

Holders of Class C, D and E units distributed in connection with the Mendik Transaction (Vornado owns all of the Class A units) are entitled to a preferential annual distribution rate of $2.015. Holders of Class C Units are entitled to a preferential annual distribution rate of $1.69. Class C Units will automatically convert to Class A Units when the distributions paid to holders of Class A Units equal $.4225 per quarter ($1.69 annually) for four consecutive quarters. Class D and E Units will automatically convert to Class A Units when the distributions paid to holders of Class A Units equal $.50375 per quarter ($2.015 annually) for four consecutive quarters. Generally, the value of each Class A Unit, equates to one common share of beneficial interest of Vornado. Preferential distributions aggregated $7,293,000 for the period from April 15, 1997 (date of acquisition of the Mendik portfolio) to December 31, 1997.

14. EARNINGS PER CLASS A UNIT

The following table sets forth the computation of basic and diluted earnings per Class A unit:

	1997	1996	1995
	(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
Numerator:			
Net income	$ 68,316	$ 61,364	$ 53,008
Preferred unit distributions	(15,549)	--	--
Preferential allocations	(7,293)	--	--
Numerator for basic and diluted earnings per unit -- net income applicable to Class A units	$ 45,474	$ 61,364	$ 53,008

Denominator:			
Denominator for basic earnings per unit -- weighted average units	55,097,656	48,854,832	46,765,618
Effect of dilutive securities:			
Employee stock options	2,119,553	352,052	393,720
Denominator for diluted earnings per unit -- adjusted weighted average units and assumed conversions	57,217,209	49,206,884	47,159,338
Net income per Class A unit -- basic	$ 0.83	$ 1.26	$ 1.13
Net income per Class A unit -- diluted	$ 0.79	$ 1.25	$ 1.12

15. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following summary represents the results of operations for each quarter in 1997 and 1996 (amounts in thousands, except share amounts):

	REVENUE	NET INCOME APPLICABLE TO CLASS A UNITS	NET INCOME PER CLASS A UNIT(1) BASIC	DILUTED
1997				
March 31	$29,297	$ 9,690	$.19	$.18
June 30	50,662	8,933	.17	.17
September 30	61,868	10,385	.20	.19
December 31	67,304	16,466	.26	.25
1996				
March 31	$28,610	$15,922	$.33	$.33
June 30	29,245	15,120	.31	.31
September 30	29,063	14,939	.31	.31
December 31	29,969	15,383	.31	.31

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(1) The total for the year may differ from the sum of the quarters as a result of weighting.

16. SEGMENT INFORMATION

The Company has two reportable segments: office properties and retail properties (including shopping centers). The Company operated as a single segment until April, 1997, at which time the Mendik transaction was consummated and the Company acquired interests in all or a portion of several Manhattan office buildings and a management company. Accordingly, selected financial information related to each segment is presented for 1997 only.

	OFFICE	RETAIL	CORPORATE AND OTHER	TOTAL
		(AMOUNTS IN THOUSANDS)		
Property rentals	$69,472	$90,304	$ 8,545	$ 168,321
Expense reimbursements	9,284	25,489	1,879	36,652
Other income	2,070	231	1,857	4,158
Operating expenses	38,047	33,386	3,312	74,745
Depreciation and amortization	9,546	11,592	1,845	22,983
Operating income	30,486	70,406	(25,986)(1)	74,906
Identifiable assets	668,128	820,575	1,035,386 (2)	2,524,089
Capital expenditures	12,992	8,445	2,352	23,789

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(1) Includes amortization of officer's deferred compensation expense of $22,917 and excludes income applicable to Alexander's of $7,873 and income from other partially-owned entities of $4,658.

(2) Includes investment in partially-owned entities of $482,800 and cash of $356,000.

One retail tenant represents 19.6% of the total retail rentals for the year ended December 31, 1997. Three office tenants represent 20.6%, 11.6% and 11.4%, respectively of total office rentals for the year ended December 31, 1997. No other tenant individually accounted for more than 10% of the respective segment property rentals.

17. SUBSEQUENT EVENTS

Kennedy Properties

In January 1998, the Company entered into a definitive agreement to acquire a real estate portfolio from Joseph P. Kennedy Enterprises for approximately $625 million, consisting of $465 million in cash, $50 million

in indebtedness and an aggregate of $110 million in Operating Partnership Units and Convertible Preferred Operating Partnership Units.

The real estate assets to be acquired include a portfolio of properties used for office, retail and trade showroom space. The properties aggregate approximately 5.3 million square feet and consist of the Merchandise Mart in Chicago, the Apparel Center in Chicago, the Washington Design Center and the Washington Office Center in Washington D.C. The transaction also includes the acquisition of Merchandise Properties, Inc., which manages the properties and trade shows. The closing is expected to occur in the second quarter of 1998.

Hotel Pennsylvania

On March 24, 1998, the Company entered into an agreement to increase its interest in the Hotel Pennsylvania from 40% to 80%. Under the agreement, the Company will purchase the 40% interest of Hotel Properties Limited (one of its joint venture partners) for approximately $70 million including $48 million of existing debt. The increase in the Company's interest is subject to reduction to 67% should the third joint venture partner exercise its pro rata option.

Cold Storage

On March 25, 1998, the Cold Storage Companies entered into an agreement to acquire the assets of Freezer Services, Inc., consisting of nine cold storage warehouses for approximately $134 million, including $22 million of indebtedness.

There can be no assurance that these proposed transactions will ultimately be completed.

One Penn Plaza

In February 1998, the Company acquired a long-term leasehold interest in One Penn Plaza for approximately $410 million from Mid-City Associates. One Penn Plaza is a 57 story Manhattan office building containing approximately 2,350,000 square feet and encompasses substantially the entire square block bounded by 33rd Street, 34th Street, Seventh Avenue and Eighth Avenue. In connection with the acquisition the Company obtained a $93,192,000 four month bridge mortgage loan bearing interest at LIBOR plus .80% (currently 6.49%).

150 East 58th Street

In March 1998, the Company acquired 150 East 58th Street (the Architects and Design Center), a 39 story Manhattan office building, for approximately $118 million. The building contains approximately 550,000 square feet.

Green Acres Mall

In February 1998, the Company completed a $160,000,000 refinancing of the Green Acres Mall and prepaid the then existing $118,000,000 debt on the property. The new 10-year debt matures in March 2008 and bears interest at 6.75%.

PROPOSED SPIN-OFF OF OPERATING COMPANY

In order to maintain Vornado's status as a REIT for federal income tax purposes, the Company is required to focus principally on investment in certain real estate assets. Accordingly, the Company cannot directly own certain assets and conduct certain activities that would be inconsistent with its status as a REIT.

The Company has formed Vornado Operating, Inc. ("Vornado Operating") to own assets that Vornado could not itself own and conduct activities that Vornado could not itself conduct. Vornado Operating will be able to do so because it will be taxable as a regular corporation rather than a REIT for taxable years after 1998. Vornado Operating has filed a registration statement with the Securities and Exchange Commission with respect to its proposed spin off from the Company. If the spin off takes place, the Operating Partnership will distribute pro rata to its partners, including Vornado, the shares of Vornado Operating, and Vornado will distribute pro rata to holders of its Common Shares the shares it receives. No holder of Common Shares will be required to make any payment, exchange any Common Shares or take any other action in order to receive Vornado Operating's common stock in the spin off. A record date has not yet been set for the spin off. No assurance can be given concerning the timing of the spin off, or whether the spin off will occur.

If the spin off takes place, the Company and Vornado Operating intend to enter into an Intercompany Agreement pursuant to which, among other things, (a) the Company will agree under certain circumstances to offer Vornado Operating an opportunity to become the lessee of certain real property owned now or in the future by the Company (under mutually satisfactory lease terms) and (b) Vornado Operating will agree not to make any real estate investment or other REIT-qualified investments unless it first offers the Company the opportunity to make such investment and the Company has rejected that opportunity. The Company expects to capitalize Vornado Operating with an equity contribution of $25 million of cash, and intends to extend to Vornado Operating a $75 million unsecured five-year revolving line of credit. The Intercompany Agreement and the Credit Agreement were not subject to arms-length negotiation because Vornado Operating is currently a subsidiary of the Company. Accordingly, there can be no assurance that the terms of these agreements are comparable to those the Company could have negotiated with an unaffiliated third party.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Operating Partnership is managed by Vornado, its general partner. Information relating to trustees of Vornado will be contained in a definitive Proxy Statement involving the election of trustees which Vornado will file with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 1997, and such information is incorporated herein by reference. Information relating to Executive Officers of Vornado appears at page 25 of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to Vornado's executive compensation will be contained in Vornado's Proxy Statement referred to above in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information relating to security ownership of certain beneficial owners and management will be contained in the Proxy Statement referred to in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information relating to certain relationships and related transactions will be contained in Vornado's Proxy Statement referred to in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. The consolidated financial statements are set forth in Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules.

The following financial statement schedules should be read in conjunction with the financial statements included in Item 8 of this Annual Report on Form 10-K.

	PAGES IN THIS ANNUAL REPORT ON FORM 10-K
Independent Auditors' Report	
II -- Valuation and Qualifying Accounts -- years ended December 31, 1997, 1996 and 1995..................	64
III -- Real Estate and Accumulated Depreciation as of December 31, 1997.................................	65

Schedules other than those listed above are omitted because they are not applicable or the information required is included in the consolidated financial statements or the notes thereto.

The consolidated financial statements of Alexander's, Inc. for the year ended December 31, 1996 are hereby incorporated by reference to Item 14(a)1 of the 1996 Annual Report on Form 10-K of Alexander's, Inc. for the year ended December 31, 1996.

3. The following exhibits listed on the Exhibit Index are filed with this Annual Report on Form 10-K.

EXHIBIT NO.	
12	Consolidated Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Share Dividend Requirements
21	Subsidiaries of the Registrant.
23	Consent of Independent Auditors to Incorporation by Reference.
27	Financial Data Schedule.

(b) Reports on Form 8-K

During the last quarter of the period covered by this Annual Report on Form 10-K described below.

PERIOD COVERED: (DATE OF EARLIEST EVENT REPORTED)	ITEMS REPORTED	DATE OF REPORT
September 22, 1997......	Financial statements and pro forma financial information in connection with the acquisition of or investments in Charles E. Smith Commercial Realty L.P., Hotel Pennsylvania, URS Logistics, Inc. and Americold Corporation	October 8, 1997
October 14, 1997........	Underwriting agreements in connection with sale of securities	October 24, 1997
November 18, 1997.......	Agreements to acquire One Penn Plaza and 150 East 58th St. office buildings	December 1, 1997
December 16, 1997.......	Acquisition of Arbor Property Trust and 640 Fifth Avenue, an office building	December 22, 1997

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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 L.P.

By: VORNADO REALTY TRUST
(General Partner)

By: /s/ IRWIN GOLDBERG
Irwin Goldberg, Vice President,
Chief Financial Officer

Date: March 25, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
By: /s/ STEVEN ROTH (Steven Roth)	Chairman of the Board of Trustees (Principal Executive Officer)	March 25, 1998
By: /s/ MICHAEL D. FASCITELLI (Michael D. Fascitelli)	President and Trustee	March 25, 1998
By: /s/ IRWIN GOLDBERG (Irwin Goldberg)	Vice President -- Chief Financial Officer	March 25, 1998
By: /s/ DAVID MANDELBAUM (David Mandelbaum)	Trustee	March 25, 1998
By: /s/ BERNARD MENDIK (Bernard Mendik)	Trustee	March 25, 1998
By: /s/ STANLEY SIMON (Stanley Simon)	Trustee	March 25, 1998
By: /s/ RONALD G. TARGAN (Ronald G. Targan)	Trustee	March 25, 1998
By: /s/ RUSSELL B. WIGHT, JR. (Russell B. Wight, Jr.)	Trustee	March 25, 1998
By: /s/ RICHARD R. WEST (Richard R. West)	Trustee	March 25, 1998

VORNADO REALTY L.P.
AND SUBSIDIARIES

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C	COLUMN D		COLUMN E
	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED AGAINST OPERATIONS	DEDUCTIONS		BALANCE AT END OF YEAR
DESCRIPTION			DESCRIPTION	AMOUNT	
		(AMOUNTS IN THOUSANDS)			
YEAR ENDED DECEMBER 31, 1997:					
Deducted from accounts receivable, allowance for doubtful accounts...........	$575	$305	Uncollectible accounts written-off	$222	$658
YEAR ENDED DECEMBER 31, 1996:					
Deducted from accounts receivable allowance for doubtful accounts...........	$578	$211	Uncollectible accounts written-off	$214	$575
YEAR ENDED DECEMBER 31, 1995:					
Deducted from accounts receivable, allowance for doubtful accounts...........	$457	$613	Uncollectible accounts written-off	$492	$578

VORNADO REALTY L.P.
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E		
		INITIAL COST TO COMPANY(1)		COSTS CAPITALIZED	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	ENCUMBRANCES	LAND	BUILDINGS AND IMPROVEMENTS	SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL(2)
OFFICE BUILDINGS							
NEW YORK							
Two Penn Plaza, Manhattan	$ 80,000	$ 53,615	$164,903	$ 9,090	$ 53,615	$ 173,993	$ 227,608
Eleven Penn Plaza, Manhattan	54,612	40,333	85,259	931	40,333	86,190	126,523
1740 Broadway, Manhattan	--	26,971	102,890	2,191	26,971	105,081	132,052
866 United Nations Plaza, Manhattan	33,000	32,196	37,534	174	32,196	37,708	69,904
90 Park Avenue, Manhattan	--	8,000	175,890	45	8,000	175,935	183,935
825 Seventh Avenue, Manhattan	--	853	8,017	(193)	853	7,824	8,677
640 Fifth Avenue, Manhattan	--	38,224	25,992	--	38,224	25,992	64,216
Total New York	167,612	200,192	600,485	12,238	200,192	612,723	812,915
NEW JERSEY							
Paramus	601	--	8,345	2,363	--	10,708	10,708
Total New Jersey	601	--	8,345	2,363	--	10,708	10,708
TOTAL OFFICE BUILDINGS	168,213	200,192	608,830	14,601	200,192	623,431	823,623
SHOPPING CENTERS							
NEW JERSEY							
Atlantic City	2,135*	358	2,143	586	358	2,729	3,087
Bordentown	3,276*	498	3,176	1,226	713	4,187	4,900
Bricktown	9,919*	929	2,175	9,180	929	11,355	12,284
Cherry Hill	9,706*	915	3,926	3,308	915	7,234	8,149
Delran	2,848*	756	3,184	2,024	756	5,208	5,964
Dover	3,635*	224	2,330	2,598	204	4,948	5,152
East Brunswick	8,205*	319	3,236	3,823	319	7,059	7,378
East Hanover	11,066*	376	3,063	3,541	477	6,503	6,980
Hackensack	--	536	3,293	7,278	536	10,571	11,107
Jersey City	10,381*	652	2,962	1,798	652	4,760	5,412
Kearny(4)	--	279	4,429	(1,301)	290	3,117	3,407
Lawnside	5,708*	851	2,222	1,492	851	3,714	4,565
Lodi(5)	2,420*	245	2,315	1,464	245	3,779	4,024
Manalapan	6,397*	725	2,447	4,955	725	7,402	8,127
Marlton	5,398*	1,514	4,671	684	1,611	5,258	6,869
Middletown	7,761*	283	1,508	3,956	283	5,464	5,747
Morris Plains	6,600*	1,254	3,140	3,277	1,104	6,567	7,671
North Bergen(4)	--	510	3,390	(956)	2,309	635	2,944
North Plainfield	3,380	500	13,340	320	500	13,660	14,160
Totowa	15,646*	1,097	5,359	11,964	1,097	17,323	18,420
Turnersville	2,116*	900	2,132	66	900	2,198	3,098
Union	15,975*	1,014	4,527	1,894	1,014	6,421	7,435
Vineland	2,358*	290	1,594	1,253	290	2,847	3,137

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION	ACCUMULATED DEPRECIATION AND AMORTIZATION	DATE OF CONSTRUCTION(3)	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENT IS COMPUTED
OFFICE BUILDINGS				

NEW YORK				
Two Penn Plaza, Manhattan..............	$ 3,072	1968	1997	39 Years
Eleven Penn Plaza, Manhattan..............	1,568	1923	1997	39 Years
1740 Broadway, Manhattan..............	1,941	1950	1997	39 Years
866 United Nations Plaza, Manhattan..............	689	1966	1997	39 Years
90 Park Avenue, Manhattan..............	1,691	1964	1997	39 Years
825 Seventh Avenue, Manhattan..............	313	1968	1997	39 Years
640 Fifth Avenue, Manhattan..............	28	1950	1997	39 Years
Total New York........	9,302			
NEW JERSEY				
Paramus..................	2,632	1967	1987	29-40 Years
Total New Jersey......	2,632			
TOTAL OFFICE BUILDINGS........	11,934			
SHOPPING CENTERS				
NEW JERSEY				
Atlantic City............	1,899	1965	1965	14-40 Years
Bordentown...............	3,655	1958	1958	7-40 Years
Bricktown................	4,306	1968	1968	22-40 Years
Cherry Hill..............	4,828	1964	1964	12-40 Years
Delran...................	2,737	1972	1972	16-40 Years
Dover....................	2,689	1964	1964	16-40 Years
East Brunswick...........	4,893	1957	1957	9-33 Years
East Hanover.............	4,147	1962	1962	9-40 Years
Hackensack...............	4,206	1963	1963	15-40 Years
Jersey City..............	3,444	1965	1965	12-40 Years
Kearny(4)................	997	1938	1959	24-40 Years
Lawnside.................	2,009	1969	1969	17-40 Years
Lodi(5)..................	2,215	1955	1975	10-27 Years
Manalapan................	3,463	1971	1971	14-40 Years
Marlton..................	3,628	1973	1973	16-40 Years
Middletown...............	2,545	1963	1963	19-40 Years
Morris Plains............	4,106	1961	1985	7-19 Years
North Bergen(4)..........	79	1993	1959	30 Years
North Plainfield.........	3,924	1955	1989	25-30 Years
Totowa...................	5,555	1957	1957	17-40 Years
Turnersville.............	1,634	1974	1974	23-40 Years
Union....................	4,783	1962	1962	7-40 Years
Vineland.................	1,694	1966	1966	18-40 Years

(Continued)

VORNADO REALTY L.P.
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E		
		INITIAL COST TO COMPANY(1)		COSTS CAPITALIZED	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	ENCUMBRANCES	LAND	BUILDINGS AND IMPROVEMENTS	SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL(2)
Watchung(4)..............	--	451	2,347	6,811	4,200	5,409	9,609
Woodbridge...............	8,792*	190	3,047	711	220	3,728	3,948
Total New Jersey......	143,722	15,666	85,956	71,952	21,498	152,076	173,574
NEW YORK							
14th Street and Union Square, Manhattan.......	--	12,566	4,044	3,525	12,581	7,554	20,135
Albany (Menands)..........	--	460	1,677	2,812	460	4,489	4,949
Buffalo (Amherst).........	4,863*	402	2,019	2,125	636	3,910	4,546

Freeport..................	8,021*	1,231	3,273	2,848	1,231	6,121	7,352
New Hyde Park.............	2,043*	--	--	126	--	126	126
North Syracuse............	--	--	--	23	--	23	23
Rochester (Henrietta).....	2,203*	--	2,124	1,168	--	3,292	3,292
Rochester.................	2,832*	443	2,870	616	443	3,486	3,929
Valley Stream.............	124,985	138,691	99,586	--	138,691	99,586	238,277
Total New York........	144,947	153,793	115,593	13,243	154,042	128,587	282,629
PENNSYLVANIA							
Allentown.................	7,696*	70	3,446	10,056	334	13,238	13,572
Bensalem..................	3,967*	1,198	3,717	1,883	1,198	5,600	6,798
Bethlehem.................	--	278	1,806	3,873	278	5,679	5,957
Broomall..................	3,260*	734	1,675	1,644	850	3,203	4,053
Glenolden.................	4,245*	850	1,295	756	850	2,051	2,901
Lancaster.................	2,312*	606	2,312	2,646	606	4,958	5,564
Levittown.................	2,283*	193	1,231	177	193	1,408	1,601
10th and Market Streets, Philadelphia............	--	933	3,230	4,878	933	8,108	9,041
Upper Moreland............	3,517*	683	2,497	265	683	2,762	3,445
York......................	1,463*	421	1,700	1,279	421	2,979	3,400
Total Pennsylvania....	28,743	5,966	22,909	27,457	6,346	49,986	56,332
MARYLAND							
Baltimore (Belair Rd.)....	--	785	1,333	3,146	785	4,479	5,264
Baltimore (Towson)........	5,779*	581	2,756	714	581	3,470	4,051
Baltimore (Dundalk).......	4,084*	667	1,710	3,166	667	4,876	5,543
Glen Burnie...............	2,299*	462	1,741	637	462	2,378	2,840
Hagerstown................	--	168	1,453	909	168	2,362	2,530
Total Maryland........	12,162	2,663	8,993	8,572	2,663	17,565	20,228
CONNECTICUT							
Newington.................	3,042*	502	1,581	688	502	2,269	2,771
Waterbury.................	3,889*	--	2,103	1,590	667	3,026	3,693
Total Connecticut.....	6,931	502	3,684	2,278	1,169	5,295	6,464
MASSACHUSETTS							
Chicopee..................	1,999*	510	2,031	358	510	2,389	2,899
Springfield(4)............	--	505	1,657	836	2,586	412	2,998
Total Massachusetts...	1,999	1,015	3,688	1,194	3,096	2,801	5,897

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION	ACCUMULATED DEPRECIATION AND AMORTIZATION	DATE OF CONSTRUCTION(3)	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENT IS COMPUTED
Watchung(4)...............	559	1994	1959	27-30 Years
Woodbridge................	2,793	1959	1959	11-40 Years
Total New Jersey......	76,788			
NEW YORK				
14th Street and Union Square, Manhattan.......	606	1965	1993	36-40 Years
Albany (Menands)..........	1,859	1965	1965	22-40 Years
Buffalo (Amherst).........	2,401	1968	1968	1-40 Years
Freeport..................	2,595	1981	1981	15-40 Years
New Hyde Park.............	122	1970	1976	6-7 Years
North Syracuse............	23	1967	1976	11-12 Years
Rochester (Henrietta).....	1,976	1971	1971	15-40 Years
Rochester.................	2,331	1966	1966	10-40 Years
Valley Stream.............	98	1956	1997	40 Years
Total New York........	12,011			
PENNSYLVANIA				
Allentown.................	4,508	1957	1957	20-42 Years
Bensalem..................	3,399	1972	1972	17-40 Years
Bethlehem.................	3,001	1966	1966	9-40 Years
Broomall..................	1,887	1966	1966	9-40 Years
Glenolden.................	999	1975	1975	18-40 Years
Lancaster.................	2,824	1966	1966	12-40 Years
Levittown.................	1,091	1964	1964	7-40 Years
10th and Market Streets, Philadelphia............	561	1977	1994	28-30 Years

Upper Moreland...........	1,884	1974	1974	16-40 Years
York.....................	1,633	1970	1970	15-40 Years
Total Pennsylvania....	21,787			
MARYLAND				
Baltimore (Belair Rd.)....	2,873	1962	1962	10-33 Years
Baltimore (Towson)........	2,030	1968	1968	13-40 Years
Baltimore (Dundalk).......	2,506	1966	1966	12-40 Years
Glen Burnie...............	1,745	1958	1958	18-33 Years
Hagerstown................	1,310	1966	1966	9-40 Years
Total Maryland........	10,464			
CONNECTICUT				
Newington.................	1,493	1965	1965	9-40 Years
Waterbury.................	1,741	1969	1969	21-40 Years
Total Connecticut.....	3,234			
MASSACHUSETTS				
Chicopee..................	1,744	1969	1969	13-40 Years
Springfield(4)............	61	1993	1966	28-30 Years
Total Massachusetts...	1,805			

(Continued)

VORNADO REALTY L.P.
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E		
		INITIAL COST TO COMPANY(1)		COSTS CAPITALIZED	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	ENCUMBRANCES	LAND	BUILDINGS AND IMPROVEMENTS	SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL(2)
TEXAS							
Dallas							
Lewisville...............	764*	2,433	2,271	676	2,469	2,911	5,380
Mesquite.................	3,445*	3,414	4,704	1,133	3,414	5,837	9,251
Skillman.................	1,987*	3,714	6,891	1,067	3,714	7,958	11,672
Total Texas..........	6,196	9,561	13,866	2,876	9,597	16,706	26,303
PUERTO RICO (SAN JUAN)							
Montehiedra..............	62,698	9,182	66,701	--	9,182	66,701	75,883
TOTAL SHOPPING CENTERS........	407,398	198,348	321,390	127,572	207,593	439,717	647,310
WAREHOUSE/INDUSTRIAL							
NEW JERSEY							
East Brunswick...........	--	--	4,772	2,867	--	7,639	7,639
East Hanover.............	8,210*	576	7,752	6,977	691	14,614	15,305
Edison...................	2,455*	705	2,839	1,212	704	4,052	4,756
Garfield.................	378	96	8,068	4,323	97	12,390	12,487
Total Warehouse/ Industrial.........	11,043	1,377	23,431	15,379	1,492	38,695	40,187
OTHER PROPERTIES							
NEW JERSEY							
Montclair................	--	66	470	330	66	800	866
Rahway...................	--	--	--	25	--	25	25
Total New Jersey......	--	66	470	355	66	825	891
NEW YORK							
1135 Third Avenue........	--	7,796	7,796	--	7,796	7,796	15,592
Riese....................	--	19,135	7,294	--	19,135	7,294	26,429

Total New York	--	26,931	15,090	--	26,931	15,090	42,021
TOTAL OTHER PROPERTIES	--	26,997	15,560	355	26,997	15,915	42,912
LEASEHOLD IMPROVEMENTS AND EQUIPMENT						10,061	10,061
TOTAL - DECEMBER 31, 1997	$586,654	$426,914	$969,211	$157,907	$436,274	$1,127,819	$1,564,093

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION	ACCUMULATED DEPRECIATION AND AMORTIZATION	DATE OF CONSTRUCTION(3)	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENT IS COMPUTED
TEXAS				
Dallas				
Lewisville	727	1989	1990	25-30 Years
Mesquite	1,451	1988	1990	24-30 Years
Skillman	1,905	1988	1990	26-30 Years
Total Texas	4,083			
PUERTO RICO (SAN JUAN)				
Montehiedra	1,140	1996	1997	40 Years
TOTAL SHOPPING CENTERS	131,312			
WAREHOUSE/INDUSTRIAL				
NEW JERSEY				
East Brunswick	3,886	1972	1972	9-40 Years
East Hanover	8,871	1963-1967	1963	9-40 Years
Edison	1,987	1954	1982	16-25 Years
Garfield	8,583	1942	1959	13-33 Years
Total Warehouse/ Industrial	23,327			
OTHER PROPERTIES				
NEW JERSEY				
Montclair	505	1972	1972	4-15 Years
Rahway	25	1972	1972	14 Years
Total New Jersey	530			
NEW YORK				
1135 Third Avenue	--			
Riese	93	1911-1987	1997	39 Years
Total New York	93			
TOTAL OTHER PROPERTIES	623			
LEASEHOLD IMPROVEMENTS AND EQUIPMENT	6,238			3-20 Years
TOTAL - DECEMBER 31, 1997	$173,434			

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* These encumbrances are cross collateralized under a mortgage in the amount of $227,000,000 at December 31, 1997.

Notes:

1) Initial cost is cost as of January 30, 1982 (the date on which Vornado commenced real estate operations) unless acquired subsequent to that date -- see Column H.

2) The net basis of the company's assets and liabilities for tax purposes is approximately $480,000,000 lower than the amount reported for financial statement purposes.

3) Date of original construction -- many properties have had substantial renovation or additional construction -- see Column D.

4) Buildings on these properties were demolished in 1993. As a result, the cost

of the buildings and improvements, net of accumulated depreciation, were transferred to land. In addition, the cost of the land in Kearny is net of a $1,615,000 insurance recovery.

5) Building destroyed by fire expected to be rebuilt.

VORNADO REALTY L.P.
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(AMOUNTS IN THOUSANDS)

The following is a reconciliation of real estate assets and accumulated depreciation:

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995
REAL ESTATE			
Balance at beginning of period	$ 397,298	$382,476	$365,832
Additions during the period:			
Land	374,996	--	161
Buildings & improvements	792,397	14,822	16,635
	1,564,691	397,298	382,628
Less: Cost of assets written-off	598	--	152
Balance at end of period	$1,564,093	$397,298	$382,476
ACCUMULATED DEPRECIATION			
Balance at beginning of period	$ 151,049	$139,495	$128,705
Additions charged to operating expenses	22,983	11,589	10,790
	174,032	151,084	139,495
Less: Accumulated depreciation on assets written-off	598	35	--
Balance at end of period	$ 173,434	$151,049	$139,495

EXHIBIT INDEX

EXHIBIT NO.		PAGE NUMBER IN SEQUENTIAL NUMBERING
2.1	-- Master Consolidation Agreement (the "Master Consolidation Agreement"), dated March 12, 1997, among Vornado Realty Trust, Vornado/Saddle Brook L.L.C., The Mendik Company, L.P., and various parties defined therein -- Incorporated by reference to Exhibit 2.1 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on March 26, 1997....	*
2.2	-- Agreement for Contribution of Interests in 1740 Broadway Investment Company, dated as of April 15, 1997, by and among The Mendik Company, L.P., Mendik 1740 Corp. and Certain Partners of 1740 Broadway Investment Company -- Incorporated by reference to Exhibit 2.1 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997..................................	*
2.3	-- Agreement for Contribution of Interests in Eleven Penn Plaza Company, dated as of April 15, 1997, by and among The Mendik Company, L.P., The Partners in M/F Associates, M/F Eleven Associates and M/S Associates and M/S Eleven Associates and Bernard H. Mendik -- Incorporated by reference to Exhibit 2.2 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997....	*
2.4	-- Agreement for Contribution of Interests in 866 UN Plaza Associates LLC, dated as of April 15, 1997, by and among The Mendik Company, L.P., The Members of 866 UN Plaza Associates LLC and Bernard H. Mendik -- Incorporated by	

	reference to Exhibit 2.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997....	*
2.5	-- Agreement for Contribution of Interests in M330 Associates, dated as of April 15, 1997, by and among The Mendik Company, L.P., The Partners in M330 Associates and The Mendik Partnership, L.P. -- Incorporated by reference to Exhibit 2.4 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997..................	*
2.6	-- Agreement for Contribution of Interests in 570 Lexington Interests, dated as of April 15, 1997, by and among The Mendik Company, L.P., Mendik Realty Company and The Partners of 570 Lexington Investors -- Incorporated by reference to Exhibit 2.5 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997....	*
2.7	-- Agreement for Contribution of Interests in B&B Park Avenue L.P., dated as of April 15, 1997, by and among The Mendik Company, L.P., Mendik RELP Corporation and The Partners of B&B Park Avenue L.P. -- Incorporated by reference to Exhibit 2.6 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997..................	*
2.8	-- Agreement for Contribution of Interests in Two Penn Plaza Associates L.P., dated as of April 15, 1997, by and among The Mendik Company, L.P., The Partners of Two Penn Plaza Associates L.P. and Bernard H. Mendik -- Incorporated by reference to Exhibit 2.7 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997....	*
2.9	-- Contribution Agreement (Transfer of 99% of REIT Management Assets from Mendik/FW LLC to the Operating Partnership), dated as of April 15, 1997, between FW/Mendik REIT, L.L.C. and The Mendik Company, L.P. -- Incorporated by reference to Exhibit 2.8 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997............	*

EXHIBIT NO.		PAGE NUMBER IN SEQUENTIAL NUMBERING
2.10	-- Assignment and Assumption Agreement (Transfer of 1% Interest in REIT Management Assets and Third-Party Management Assets from Mendik/FW LLC to the Management Corporation), dated as of April 15, 1997, between FW/Mendik REIT, L.L.C. and Mendik Management Company, Inc. -- Incorporated by reference to Exhibit 2.9 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997....	*
2.11	-- Agreement and Plan of Merger, dated as of August 22, 1997, among Vornado Realty Trust, Trees Acquisition Subsidiary, Inc. and Arbor Property Trust -- Incorporated by reference to Exhibit 99.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), dated August 21, 1997, as amended by Form 8-K/A, dated August 21, 1997 and filed on September 11, 1997..	*
2.12	-- Amendment to Agreement and Plan of Merger, dated as of October 15, 1997, among Vornado Realty Trust, Trees Acquisition Subsidiary, Inc. and Arbor Property Trust -- Incorporated by reference to Exhibit 2.2 of Vornado's Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-36835), filed on October 27, 1997..	*
2.13	-- Agreement and Plan of Merger, dated as of September 26, 1997, among Vornado Realty Trust, Atlanta Parent, Inc., Atlanta Storage Acquisition Co. and URS Logistics, Inc. -- Incorporated by reference to Exhibit 99.4 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 8, 1997................................	*
2.14	-- Agreement and Plan of Merger, dated as of September 26, 1997, among Vornado Realty Trust, Portland Parent, Inc., Portland Storage Acquisition Co. and Americold Corporation -- Incorporated by reference to Exhibit 99.5 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 8, 1997.....................	*
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	-- By-laws of Vornado, as amended on April 28, 1997 to Exhibit 3(b) of Vornado's Quarterly Report on Form 10-Q for the period ended March 31, 1997 (File No. 001-11954), filed on	

	May 14, 1997..	*
3.3	-- First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of April 15, 1997 -- Incorporated by reference to Exhibit 3.1 of the Operating Partnership's Registration Statement on Form 10 (File No. 000-22685), filed on June 12, 1997.............	*
3.4	-- Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of October 20, 1997 -- Incorporated by reference from the Annual Report on Form 10-K for the year ended December 31, 1997, filed by Vornado Realty Trust on March 31, 1998................	*
3.5	-- Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of December 16, 1997 -- Incorporated by reference from the Annual Report on Form 10-K for the year ended December 31, 1997, filed by Vornado Realty Trust on March 31, 1998................	*
4.1	-- 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.......................	*
4.2	-- 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...........	*

EXHIBIT NO.		PAGE NUMBER IN SEQUENTIAL NUMBERING
4.3	-- 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..	*
4.4	-- 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..	*
10.1	-- Second Amendment, dated as of June 12, 1997, to Vornado's 1993 Omnibus Share Plan, as amended -- Incorporated by reference to Vornado's Registration Statement on Form S-8 (File No. 333-29011) filed on June 12, 1997..............	*
10.2	-- Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 -- Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992........................	*
10.2	-- Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of November 24, 1993 made by each of the entities listed therein, as mortgagors to Vornado Finance Corp., as mortgagee -- Incorporated by reference to Vornado's Current Report on Form 8-K dated November 24, 1993 (File No. 001-11954), filed December 1, 1993...	*
10.3**	-- 1985 Stock Option Plan as amended -- Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended May 2, 1987 (File No. 001-11954), filed June 9, 1987..	*
10.4**	-- Form of Stock Option Agreement for use in connection with incentive stock options issued pursuant to Vornado, Inc. 1985 Stock Option Plan -- Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended October 26, 1985 (File No. 001-11954), filed December 9, 1985...	*
10.5**	-- Form of Stock Option Agreement for use in connection with incentive stock options issued pursuant to Vornado, Inc. 1985 Stock Option Plan -- Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended May 2, 1987 (File No. 001-11954), filed June 9, 1987......	*
10.6**	-- Form of Stock Option Agreement for use in connection with incentive stock options issued pursuant to Vornado, Inc. 1985 Stock Option Plan -- Incorporated by reference to	

	Vornado's Quarterly Report on Form 10-Q for quarter ended October 26, 1985 (File No. 001-11954), filed December 9, 1985...	*
10.7**	-- Employment Agreement between Vornado, Inc. and Joseph Macnow dated January 1, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 001-11954), filed March 30, 1992...	*
10.8**	-- Employment Agreement between Vornado, Inc. and Richard Rowan dated January 1, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 001-11954), filed March 30, 1992...	*
10.9**	-- Employment Agreement between Vornado Realty Trust and Irwin Goldberg, dated December 11, 1997 -- Incorporated by reference from the Annual Report on Form 10-K for the year ended December 31, 1997, filed by Vornado Realty Trust on March 31, 1998..	*

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* Incorporated by reference
** Management contract or compensatory plan

EXHIBIT NO.		PAGE NUMBER IN SEQUENTIAL NUMBERING
10.10**	-- Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli dated December 2, 1996 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-11954), filed March 13, 1997...............	*
10.11	-- Promissory Notes from Steven Roth to Vornado, Inc. dated December 29, 1992 and January 15, 1993 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.......................................	*
10.12	-- Registration Rights Agreement between Vornado, Inc. and Steven Roth Dated December 29, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.......................................	*
10.13	-- Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993...	*
10.14	-- Promissory Note from Steven Roth to Vornado Realty Trust dated April 15, 1993 and June 17, 1993 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994..	*
10.15	-- Promissory Note from Richard Rowan to Vornado Realty Trust -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994...............	*
10.16	-- Promissory Note from Joseph Macnow to Vornado Realty Trust -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994...............	*
10.17	-- Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.......................................	*
10.18	-- Real Estate Retention Agreement between Vornado, Inc., Keen Realty Consultants, Inc. and Alexander's, Inc., dated as of July 20, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.......	*
10.19	-- Amendment to Real Estate Retention Agreement dated February 6, 1995 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1994	

	(File No. 001-11954), filed March 23, 1995................	*
10.20	-- Stipulation between Keen Realty Consultants Inc. and Vornado Realty Trust re: Alexander's Retention Agreement -- Incorporated by reference to Vornado's annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994................	*
10.21	-- Stock Purchase Agreement, dated February 6, 1995, among Vornado Realty Trust and Citibank, N.A. -- Incorporated by reference to Vornado's Current Report on Form 8-K dated February 6, 1995 (File No. 001-11954), filed February 21, 1995..	*

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* Incorporated by reference

EXHIBIT NO.		PAGE NUMBER IN SEQUENTIAL NUMBERING
10.22	-- Management and Development Agreement, dated as of February 6, 1995 -- Incorporated by reference to Vornado's Current Report on Form 8-K dated February 6, 1995 (File No. 001-11954), filed February 21, 1995.......................	*
10.23	-- Standstill and Corporate Governance Agreement, dated as of February 6, 1995 -- Incorporated by reference to Vornado's Current Report on Form 8-K dated February 6, 1995 (File No. 001-11954), filed February 21, 1995...................	*
10.24	-- Credit Agreement, dated as of March 15, 1995, among Alexander's Inc., as borrower, and Vornado Lending Corp., as lender -- Incorporated by reference from Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995......................	*
10.25	-- Subordination and Intercreditor Agreement, dated as of March 15, 1995 among Vornado Lending Corp., Vornado Realty Trust and First Fidelity Bank, National Association -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995...........	*
10.26	-- Revolving Credit Agreement dated as of February 27, 1995 among Vornado Realty Trust, as borrower, and Union Bank of Switzerland, as Bank and Administrative Agent -- Incorporated by reference to Exhibit 10(F)9 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995..	*
10.27	-- Form of Intercompany Agreement between Vornado Realty L.P. and Vornado Operating, Inc. -- Incorporated by reference to Exhibit 10.1 of Amendment No. 1 to Vornado Operating, Inc.'s Registration Statement on Form S-11 (File No. 333-40701), filed on January 23, 1998.....................	*
10.28	-- Form of Revolving Credit Agreement between Vornado Realty L.P. and Vornado Operating, Inc., together with related form of Note incorporated by reference to Exhibit 10.2 of Amendment No. 1 to Vornado Operating, Inc.'s Registration Statement on Form S-11 (File No.333-40701)...	*
10.29	-- Amended and Restated Revolving Credit Agreement, dated as of February 23, 1998, between Vornado Realty L.P., as Borrower, Vornado Realty Trust, as General Partner and Union Bank of Switzerland (New York Branch), as Bank, the other banks signatory hereto, each as a bank, Union Bank of Switzerland (New York Branch), as Administrative Agent and Citicorp Real Estate, Inc., The Chase Manhattan Bank and Nationsbank, as Syndication Agents -- Incorporated by reference from the Annual Report on Form 10-K for the year ended December 31, 1997, filed by Vornado Realty Trust on March 31, 1998...	*
10.30	-- Registration Rights Agreement, dated as of April 15, 1997, between Vornado Realty Trust and the holders of Units listed on Schedule A thereto -- Incorporated by reference to Exhibit 10.2 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997............	*
10.31	-- Noncompetition Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, the Mendik Company, L.P., and	

	Bernard H. Mendik -- Incorporated by reference to Exhibit 10.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997......................	*
10.32	-- Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum -- Incorporated by reference to Exhibit 10.4 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997......................	*

EXHIBIT NO.		PAGE NUMBER IN SEQUENTIAL NUMBERING
10.33	-- Agreement, dated September 28, 1997, between Atlanta Parent Incorporated, Portland Parent Incorporated and Crescent Real Estate Equities, Limited Partnership -- Incorporated by reference to Exhibit 99.6 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 8, 1997..	*
12	-- Consolidated Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Share Dividend Requirements...	75
13	-- Not applicable...	
16	-- Not applicable...	
18	-- Not applicable...	
19	-- Not applicable...	
21	-- Subsidiaries of the Registrant............................	76
22	-- Not applicable...	
23	-- Consent of independent auditors to incorporation by reference..	80
25	-- Not applicable...	
27.1	-- Financial Data Schedule...................................	81
27.2	-- Financial Data Schedule...................................	82
29	-- Not applicable...	

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Section 2: EX-12 (RATIOS OF EARNINGS TO FIXED CHARGES)

EXHIBIT 12

VORNADO REALTY L.P.

CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES AND
COMBINED FIXED CHARGES AND PREFERRED SHARE DIVIDEND REQUIREMENTS

	DECEMBER 31, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994	DECEMBER 31, 1993
Income from continuing operations before income taxes....................	$ 45,474	$61,364	$53,008	$41,240	$25,386
Fixed charges.............	59,104	17,214	17,333	16,229	31,892
Income from continuing operations before income taxes and fixed charges..................	$104,578	$78,578	$70,341	$57,469	$57,278
Fixed charges:					
Interest and debt expense...............	42,888	$16,726	$16,426	$14,209	$31,155
Preferred stock dividends............	15,549	--	--	--	--

1/3 of rent expense -- interest factor................	667	488	465	438	455
	59,104	17,214	16,891	14,647	31,610
Capitalized interest.....	--	--	442	1,582	282
	$ 59,104	$17,214	$17,333	$16,229	$31,892
Ratio of earnings to fixed charges..................	1.76	4.56	4.06	3.54	1.80

Note: For purposes of this calculation, earnings before fixed charges consist of earnings before income taxes plus fixed charges. Fixed charges consist of interest expense on all indebtedness (including amortization of deferred debt issuance costs) preferred stock dividends and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one third of operating lease rentals).

Rent Expense........	$ 2,001	$ 1,465	$ 1,395	$ 1,313	$ 1,366

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Section 3: EX-21 (SUBSIDIARIES OF THE REGISTRANT)

1

EXHIBIT 21

VORNADO REALTY TRUST L.P.
SUBSIDIARIES OF THE REGISTRANT

NAME OF SUBSIDIARY	STATE OF ORGANIZATION
150 East 58th Street L.L.C.	New York
1740 Broadway Associates L.P.	Delaware
20 Broad Lender L.L.C.	New York
201 East 66th Street L.L.C.	New York
330 Madison Company..	New York
40 East 14 Realty Associates L.L.C.	New York
401 Commercial Son, L.L.C.	Delaware
401 Commercial, L.P.	Delaware
401 General Partner, L.L.C.	Delaware
401 Hotel General Partner, L.L.C.	Delaware
401 Hotel, L.P.	Delaware
570 Lexington Associates, L.P.	New York
570 Lexington Company, L.P.	New York
825 Seventh Avenue Holding L.L.C.	New York
866 U.N. Plaza Associates L.L.C.	New York
909 Third Avenue Assignee L.L.C.	New York
Americold Corporation......................................	Oregon
Americold Services Corporation.............................	Delaware
Amherst Holding L.L.C.	New York
Amherst Industries L.L.C.	New York
Arbor Property, L.P.	Delaware
Atlanta Parent, Inc.	Delaware
Atlantic City Holding L.L.C.	New Jersey
B&B Park Avenue L.P.	Delaware
Bensalem Holding Company L.L.C.	Pennsylvania
Bensalem Holding Company L.P.	Pennsylvania
Bethlehem Holding Company L.L.C.	Pennsylvania
Bethlehem Holding Company L.P.	Pennsylvania
Bethlehem Properties Holding Company L.L.C.	Pennsylvania
Bethlehem Properties Holding Company L.P.	Pennsylvania
Bordentown Holding L.L.C.	New Jersey
Brentwood Development L.L.C.	New York
Bridgeland Warehouses L.L.C.	New Jersey
Camden Holding L.L.C.	New Jersey
Charles E. Smith Commercial Realty L.P.	Delaware

Chicopee Holding L.L.C.	Massachusetts
Clementon Holding L.L.C.	New Jersey
Cumberland Holding L.L.C.	New Jersey
Darby Development Corp.	Florida
Delran Holding L.L.C.	New Jersey
Dover Holding L.L.C.	New Jersey
DSAC L.L.C.	Texas
DUN L.L.C.	Maryland
Durham Leasing L.L.C.	New Jersey
EH L.L.C.	Maryland
Eleven Penn Plaza L.L.C.	New York

NAME OF SUBSIDIARY	STATE OF ORGANIZATION
Evesham Holding L.L.C.	New Jersey
Gallery Market Holding Company L.L.C.	Pennsylvania
Gallery Market Holding Company L.P.	Pennsylvania
Gallery Market Properties Holding Company L.L.C.	Pennsylvania
Gallery Market Properties Holding Company L.P.	Pennsylvania
GBSPI L.L.C.	Maryland
Green Acres Mall, L.L.C.	Delaware
Hackbridge L.L.C.	New Jersey
Hanover Holding L.L.C.	New Jersey
Hanover Industries L.L.C.	New Jersey
Hanover Leasing L.L.C.	New Jersey
Hanover Public Warehousing L.L.C.	New Jersey
Henrietta Holding L.L.C.	New York
HHC L.L.C.	Maryland
Jersey City Leasing L.L.C.	New Jersey
Kearny Holding L.L.C.	New Jersey
Kearny Leasing L.L.C.	New Jersey
Lancaster Leasing Company L.L.C.	Pennsylvania
Lancaster Leasing Company L.P.	Pennsylvania
Landthorp Enterprises L.L.C.	Delaware
Lawnside Holding L.L.C.	New Jersey
Lawnwhite Holding L.L.C.	New Jersey
Lewisville Centre L.P.	Texas
Lewisville TC L.L.C.	Texas
Littleton Holding L.L.C.	New Jersey
Lodi Industries L.L.C.	New Jersey
Lodi Leasing L.L.C.	New Jersey
M 330 Associates, L.P.	New York
M 393 Associates L.L.C.	New York
Manalapan Industries L.L.C.	New Jersey
Marple Holding Company L.L.C.	Pennsylvania
Marple Holding Company L.P.	Pennsylvania
Mart Franchise Center, Inc.	Illinois
Mart Franchise Venture, L.L.C.	Delaware
Menands Holding L.L.C.	New York
Mendik Management Company Inc.	New York
Merchandise Mart Enterprises, Inc.	Delaware
Merchandise Mart Properties, Inc.	Illinois
Merchandise Mart Properties, Inc. (DE)......................	Delaware
Mesquite - Texas Crossing L.P.	Texas
Mesquite TC L.L.C.	Texas
Middletown Holding L.L.C.	New Jersey
Montclair Holding L.L.C.	New Jersey
Morris Plains Leasing L.L.C.	New Jersey
MRC Management L.L.C.	New York
National Hydrant L.L.C.	New York
New Hanover L.L.C.	New Jersey
New Woodbridge L.L.C.	New Jersey
Newington Connecticut Holding L.L.C.	Connecticut
Ninety Park Lender LLC	New York
Ninety Park Manager LLC.....................................	New York
Ninety Park Option LLC......................................	New York

NAME OF SUBSIDIARY	STATE OF ORGANIZATION
Ninety Park Property LLC....................................	New York
No. Plainfield Holding L.L.C.	New Jersey

North Bergen Stores L.L.C.	New Jersey
One Penn Plaza LLC...	New York
Philadelphia Holding Company L.L.C.	Pennsylvania
Philadelphia Holding Company L.P.	Pennsylvania
Phillipsburg Holding L.L.C.	New Jersey
Pike Holding Company L.L.C.	Pennsylvania
Pike Holding Company L.P.	Pennsylvania
Portland Parent, Inc.	Delaware
Rahway Leasing L.L.C.	New Jersey
Rochester Holding L.L.C.	New York
Skillman Abrams Crossing L.P.	Texas
Springfield Holding L.L.C.	Massachusetts
Star Universal L.L.C.	New Jersey
T53 Condominium L.L.C.	New York
T.G. Hanover L.L.C.	New Jersey
TGSI L.L.C.	Maryland
The Second Lawnside L.L.C.	New Jersey
The Second Rochester Holding L.L.C.	New York
Turnersville Holding L.L.C.	New Jersey
Two Guys From Harrison Holding Co. L.P.	Pennsylvania
Two Guys From Harrison Holding Co. LLC......................	Pennsylvania
Two Guys From Harrison L.L.C.	New Jersey
Two Guys From Harrison N.Y. L.L.C.	New York
Two Guys Mass. L.L.C.	Massachusetts
Two Guys-Connecticut Holding L.L.C.	Connecticut
Two Park Company...	New York
Two Penn Plaza REIT, Inc.	New York
Unado L.L.C.	New Jersey
Upper Moreland Holding Company L.L.C.	Pennsylvania
Upper Moreland Holding Company L.P.	Pennsylvania
URS Logistics, Inc.	Delaware
VFC Connecticut Holding L.L.C.	Delaware
VFC Massachusetts Holding L.L.C.	Delaware
VFC New Jersey Holding L.L.C.	Delaware
Vornado - Westport L.L.C.	Connecticut
Vornado 1740 Broadway L.L.C.	New York
Vornado 401 Commercial L.L.C.	New York
Vornado 401 Hotel, Inc.	New York
Vornado 570 Lexington L.L.C.	New York
Vornado 640 Fifth Avenue L.L.C.	New York
Vornado 90 Park Avenue L.L.C.	New York
Vornado B&B L.L.C.	New York
Vornado Center Building L.L.C.	New York
Vornado CESCR II L.L.C.	Delaware
Vornado CESCR L.L.C.	Delaware
Vornado Crescent Atlanta Partnership........................	Delaware
Vornado Crescent Holding L.P.	Delaware
Vornado Crescent Portland Partnership.......................	Delaware
Vornado Finance GP L.L.C.	Delaware
Vornado Finance L.P.	Delaware

NAME OF SUBSIDIARY	STATE OF ORGANIZATION
Vornado Green Acres Acquisition L.L.C.	Delaware
Vornado Green Acres Delaware L.L.C.	Delaware
Vornado Green Acres Funding L.L.C.	Delaware
Vornado Green Acres Holdings L.L.C.	Delaware
Vornado Investments L.L.C.	Delaware
Vornado Lending L.L.C.	New Jersey
Vornado M 330 L.L.C.	New York
Vornado M 393 L.L.C.	New York
Vornado Management Corp.	New Jersey
Vornado Montehiedra OP L.P.	Delaware
Vornado Montehiedra Acquisition L.L.C.	Delaware
Vornado Montehiedra Acquisition L.P.	Delaware
Vornado Montehiedra Holding II L.P.	Delaware
Vornado Montehiedra Holding L.L.C.	Delaware
Vornado Montehiedra Holding L.P.	Delaware
Vornado Montehiedra OP L.L.C.	Delaware
Vornado New York RR One L.L.C.	New York
Vornado Realty L.L.C.	Delaware
Vornado RR Midtown L.L.C.	New York
Vornado Two Penn Plaza L.L.C.	New York
VR Retail Holdings LLC.....................................	New York
VRT Massachusetts Holding L.L.C.	Delaware
VRT New Jersey Holding L.L.C.	Delaware
Watchung Holding L.L.C.	New Jersey
West Windsor Holding L.L.C.	New Jersey

Whitehorse Lawnside L.L.C. .... New Jersey
York Holding Company L.L.C. .... Pennsylvania
York Holding Company L.P. .... Pennsylvania

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Section 4: EX-23 (CONSENT OF INDEPENDENT AUDITORS)

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EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Amendment No. 4 to Registration Statement No. 333-40787 and Amendment No. 2 to Registration Statement No. 333-29013 both on Form S-3 of Vornado Realty Trust and Vornado Realty L.P. of our report dated March 25, 1998, appearing in this Annual Report on Form 10-K of Vornado Realty L.P. for the year ended December 31, 1997.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 25, 1998

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Section 5: EX-27.1 (FINANCIAL DATA SCHEDULE)

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This schedule contains summary financial information extracted from the Company's audited financial statements for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

1,000

-TYPE>	YEAR
-YEAR-END>	DEC-31-1997
-END>	DEC-31-1997
	355,954
	34,469
	16,663
	658
	0
-ASSETS>	0
&E>	1,564,093
	173,434
-ASSETS>	2,524,089
-LIABILITIES>	0
	956,654
-MANDATORY>	0
	279,884
	0
-SE>	1,218,278
-LIABILITY-AND-EQUITY>	2,524,089
	0
-REVENUES>	209,131
	0
-COSTS>	74,745
-EXPENSES>	59,480
-PROVISION>	0
-EXPENSE>	42,888
-PRETAX>	68,316
-TAX>	0
-CONTINUING>	68,316

	0
	0
	0
-INCOME>	45,474
-PRIMARY>	.83<F1>
-DILUTED>	.79

<F1>THE AMOUNT IS REPORTED AS EPS BASIC, NOT PRIMARY.

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Section 6: EX-27.2 (FINANCIAL DATA SCHEDULE)

5

This schedule contains summary financial information extracted from the Company's unaudited financial statements for the periods shown below and is qualified in its entirety by reference to such financial statements.

1,000

-TYPE>	9-MOS	6-MOS
-YEAR-END>	SEP-30-1997	JUN-30-1997
-END>	SEP-30-1997	JUN-30-1997
	58,367	199,826
	31,277	31,225
	15,331	15,171
	917	631
	0	0
-ASSETS>	0	0
&E>	1,231,386	1,047,477
	166,072	159,450
-ASSETS>	1,551,506	1,646,296
-LIABILITIES>	0	0
	772,156	862,883
-MANDATORY>	0	0
	277,168	276,599
	0	0
-SE>	436,145	440,835
-LIABILITY-AND-EQUITY>	1,551,506	1,646,296
	0	0
-REVENUES>	141,827	79,959
	0	0
-COSTS>	48,557	26,658
-EXPENSES>	41,995	25,675
-PROVISION>	0	0
-EXPENSE>	30,972	17,350
-PRETAX>	43,704	25,578
-TAX>	0	0
-CONTINUING>	43,704	25,578
	0	0
	0	0
	0	0
-INCOME>	29,008	18,623
-PRIMARY>	.56	.36
-DILUTED>	.54	.35

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