

VORNADO REALTY TRUST

Form 424B5

September 14, 2005

**Table of Contents**Filed Pursuant to Rule 424(B)(5)  
Registration No. 333-122306**PROSPECTUS SUPPLEMENT***(To prospectus dated February 3, 2005)*

3,400,000 Shares

**6.625% SERIES I CUMULATIVE REDEEMABLE PREFERRED SHARES  
(LIQUIDATION PREFERENCE \$25.00 PER SHARE)**

*We are offering to the public 3,400,000 of our 6.625% Series I Cumulative Redeemable Preferred Shares. Dividends on the Series I Preferred Shares will be cumulative from the date of original issue and payable quarterly, beginning on October 1, 2005, at the rate of 6.625% of the liquidation preference per annum, or \$1.65625 per Series I Preferred Share per annum.*

*Except in instances relating to preservation of our status as a real estate investment trust, the Series I Preferred Shares are not redeemable until August 31, 2010. On and after August 31, 2010, we may redeem the Series I Preferred Shares in whole at any time or in part from time to time at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series I Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed.*

*Our Series I Preferred Shares are listed on the New York Stock Exchange under the symbol VNO Pr I.*

*See Risk Factors beginning on page S-5 of this prospectus supplement and page 4 of the accompanying prospectus for a discussion of the risks relevant to an investment in our Series I Preferred Shares.*

	<i>Per Share</i>	<i>Total</i>
<i>Public offering price<sup>(1)</sup></i>	\$ 25.000	\$ 85,000,000
<i>Underwriting discount</i>	\$ .375	\$ 1,275,000
<i>Proceeds, before expenses, to us</i>	\$ 24.625	\$ 83,725,000

*(1) Plus accrued dividends from, but excluding, August 31, 2005.*

*Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.*

*The Series I Preferred Shares will be ready for delivery in book-entry form through The Depository Trust Company on or about September 15, 2005.*

**MERRILL LYNCH & CO.**

*The date of this prospectus supplement is September 13, 2005.*

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**You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriter has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriter is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.**

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**FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus contain forward-looking statements with respect to our financial condition, results of operations and business. These statements may be made directly in this document or they may be made part of this document by reference to other documents filed with the SEC, which is known as incorporation by reference. You can find many of these statements by looking for words such as believes, expects, anticipates, will, would, may, intends, plans or similar expressions in this prospectus supplement and the accompanying prospectus or the documents incorporated by reference.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those set forth under the caption Risk Factors in this prospectus supplement and in the accompanying prospectus and also in our Annual Report on Form 10-K/ A for the year ended December 31, 2004 under Item 1. Business Certain Factors That May Adversely Affect Our Business and Operations, as well as the following possibilities:

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

potential liability under environmental or other laws or regulations; and

general competitive factors.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these items are beyond our ability to control or predict. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this prospectus supplement or, if applicable, the date of the applicable document incorporated by reference.

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All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this prospectus supplement or to reflect the occurrence of unanticipated events. For more information on the uncertainty of forward-looking statements, see **Risk Factors** beginning on page S-5 of this prospectus supplement and on page 4 in the accompanying prospectus and also in **Item 1. Business - Certain Factors That May Adversely Affect Our Business and Operations** in our Annual Report on Form 10-K/ A for the year ended December 31, 2004. The discussion under **Risk Factors** in this prospectus supplement updates, and to the extent inconsistent therewith supersedes, the discussion under **Risk Factors** in the accompanying prospectus and the discussion under **Item 1. Business - Certain Factors That May Adversely Affect Our Business and Operations** in our Annual Report on Form 10-K/ A for the year ended December 31, 2004.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*The following information may not contain all the information that may be important to you. You should read this entire prospectus supplement and the accompanying prospectus, as well as the documents incorporated by reference in the accompanying prospectus, before making an investment decision. All references to we, our, us and Vornado this prospectus supplement and the accompanying prospectus mean Vornado Realty Trust and its consolidated subsidiaries, except where it is clear that the term means only the parent company. All references to the Operating Partnership in this prospectus supplement and the accompanying prospectus mean Vornado Realty L.P. Unless indicated otherwise, all references to areas of properties provided in square feet or cubic feet in this prospectus supplement and the accompanying prospectus are approximations.*

**VORNADO AND THE OPERATING PARTNERSHIP**

We are a fully integrated real estate investment trust organized under the laws of Maryland. We conduct our business through, and substantially all of our interests in properties are held by, the Operating Partnership. We are the sole general partner of, and owned an approximately 88.4% of the common limited partnership interest in, the Operating Partnership as of June 30, 2005.

Vornado Realty Trust, through the Operating Partnership, currently owns directly or indirectly:

**Office Properties:**

all or portions of 86 office properties aggregating approximately 27.5 million square feet in the New York City metropolitan area (primarily Manhattan) and in the Washington, DC and Northern Virginia area;

**Retail Properties:**

96 retail center properties in seven states and Puerto Rico aggregating approximately 14.0 million square feet, including 2.8 million square feet built by tenants on land leased from us;

**Merchandise Mart Properties:**

9.0 million square feet, including the 3.4 million square foot Merchandise Mart in Chicago;

**Temperature Controlled Logistics:**

a 47.6% interest in AmeriCold Realty Trust, which owns and operates 101 cold storage warehouses nationwide;

**Other Real Estate Investments:**

33% of the outstanding common stock of Alexander's, Inc.;

the Hotel Pennsylvania in New York City, consisting of a hotel portion containing 1 million square feet with 1,700 rooms and a commercial portion containing 0.4 million square feet of retail and office space;

a 22.5% interest in The Newkirk Master Limited Partnership, which owns office, retail and industrial properties and various debt interests in those properties;

seven dry warehouse/industrial properties in New Jersey containing approximately 1.5 million square feet;

loans secured by real estate and loans to real estate companies; and

other investments and marketable securities including a 12.22% interest in GMH Communities L.P. (a student and military housing REIT), and 2,763,000 shares of Sears Holdings Corporation.

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

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**RECENT DEVELOPMENTS**

On July 21, 2005, a joint venture owned equally by Vornado Realty Trust, Bain Capital Partners LLC and Kohlberg Kravis Roberts & Co. acquired Toys 'R Us, Inc. (NYSE: TOY) for \$26.75 per share in cash, or approximately \$6.6 billion. In connection therewith, Vornado Realty Trust provided \$428,000,000 of the \$1.3 billion of equity to the venture, consisting of \$407.0 million in cash and \$21.0 million in Toys 'R Us common stock held by Vornado Realty Trust. This investment will be accounted for under the equity method of accounting. Because Toys 'R Us prepares its financial statements based on a January 31 fiscal year-end, Vornado Realty Trust will record its pro-rata share of Toys 'R Us net income or loss on a one-quarter lag basis. Accordingly, Vornado Realty Trust will record its pro-rata share of Toys 'R Us financial results for the third quarter ended October 29, 2005 in Vornado Realty Trust's quarter ended December 31, 2005.

On August 18, 2005, Vornado Realty L.P. announced that it had called for redemption its 8.25% Series D-5, D-6, D-7 and D-8 Cumulative Redeemable Preferred Units. The Preferred Units are expected to be redeemed on September 19, 2005 at a redemption price equal to \$25.00 per unit, or an aggregate of \$372.0 million plus accrued distributions. In conjunction with the redemption, we will write-off \$10.4 million of issuance costs in the third quarter of this year.



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**THE OFFERING**

Issuer	Vornado Realty Trust.
Shares Offered	3,400,000 of our Series I Preferred Shares.
Dividends	Dividends on each Series I Preferred Share will be cumulative from the date of original issue and are payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing October 1, 2005, at the rate of 6.625% of the liquidation preference per annum, or \$1.65625 per Series I Preferred Share per annum.
Liquidation Preference	\$25.00 per share, plus an amount equal to accrued and unpaid dividends (whether or not earned or declared).
Maturity	The Series I Preferred Shares have no maturity date, and we are not required to redeem the Series I Preferred Shares. Accordingly, the Series I Preferred Shares will remain outstanding indefinitely, unless we decide to redeem them. We are not required to set aside funds to redeem the Series I Preferred Shares.
Ranking	The Series I Preferred Shares rank senior to our common shares and any other junior shares that we may issue in the future, and on parity with our Series A Convertible Preferred Shares, Series D-10 Cumulative Redeemable Preferred Shares, Series E Cumulative Redeemable Preferred Shares, Series F Cumulative Redeemable Preferred Shares, Series G Cumulative Redeemable Preferred Shares, Series H Cumulative Redeemable Preferred Shares and any other parity shares that we may issue in the future, in each case with respect to payment of dividends and distribution of assets upon liquidation, dissolution or winding up. We intend to contribute the net proceeds from the offering to the Operating Partnership in exchange for preferred units in the Operating Partnership (with economic terms that mirror the terms of the Series I Preferred Shares). These preferred units rank, as to distributions and upon liquidation, senior to the Class A Common Units of limited partnership interest in the Operating Partnership and on parity with the preferred units in the Operating Partnership.
Conversion Rights	The Series I Preferred Shares are not convertible into or exchangeable for any property or any of our other securities.
Redemption at Option of Vornado	Except in instances relating to preservation of our status as a real estate investment trust, the Series I Preferred Shares are not redeemable until August 31, 2010. On and after August 31, 2010, we may redeem the Series I Preferred Shares, in whole at any time or in part from time to time, at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series I Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed.
Voting Rights	You will generally have no voting rights. However, if dividends on the Series I Preferred Shares are in arrears for six quarterly dividend periods (whether or not consecutive), the holders of the Series I Preferred Shares (voting separately as a class with holders of all other series of parity preferred stock upon which like

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rights have been conferred and are exercisable) will have the right to elect two additional trustees to serve on our Board of Trustees until such dividend arrearage is eliminated. In addition, certain changes that would be material and adverse to the rights of holders of the Series I Preferred Shares cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding Series I Preferred Shares and all other series of parity preferred shares upon which like voting rights have been conferred and are exercisable, voting as a single class. If any such changes would be material and adverse to holders of some but not all series of parity preferred shares, a vote of at least two-thirds of the holders of only the series materially and adversely affected would be required.

Listing	Our Series I Preferred Shares are listed on the New York Stock Exchange under the symbol VNO Pr I.
Use of Proceeds	We will contribute the net proceeds from this offering to the Operating Partnership in exchange for Preferred Units of the Operating Partnership. The Operating Partnership will use the proceeds for general business purposes, which may include payment of the redemption price for preferred units called for redemption.
Restrictions on Ownership	In order to maintain our qualification as a real estate investment trust for federal income tax purposes, ownership by any person of more than 9.9% of the outstanding preferred shares of any class is prohibited by our Amended and Restated Declaration of Trust.
Settlement Date	Delivery of the shares of Series I Preferred Shares will be made against payment therefor on or about September 15, 2005.
Form	The Series I Preferred Shares will be maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, except under limited circumstances.
Risk Factors	See Risk Factors beginning on page S-5 of this prospectus supplement and on page 4 of the accompanying prospectus, as well as Item 1. Business Certain Factors That May Adversely Affect The Company's Business and Operations in our Annual Report on Form 10-K/ A for the year ended December 31, 2004, for a discussion of certain considerations relevant to an investment in our Series I Preferred Shares. The discussion under Risk Factors in this prospectus supplement updates, and to the extent inconsistent therewith supersedes, the discussion under Risk Factors in the accompanying prospectus and the discussion under Item 1. Business Certain Factors That May Adversely Affect Our Business and Operations in our Annual Report on Form 10-K/ A for the year ended December 31, 2004.
Ratio of Earnings to Fixed Charges	See Consolidated Ratios of Earnings to Combined Fixed Charges and Preferred Share Dividend Requirements on page S-15 of this prospectus supplement.

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**RISK FACTORS**

*An investment in our Series I Preferred Shares involves risks. You should carefully consider, among other factors, the matters described below before deciding to purchase our Series I Preferred Shares.*

**Real Estate Investments Value and Income Fluctuate Due to Various Factors.**

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

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

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

The rents we receive and the occupancy levels at our properties may decline as a result of adverse changes in any of these and other factors. If our rental revenues decline, we generally would expect to have less cash available to pay

our indebtedness and distribute to our shareholders. In addition, some of our major expenses, including mortgage payments, real estate taxes and maintenance costs, generally do not decline when the related rents decline.

***We Depend on Leasing Space to Tenants on Economically Favorable Terms and Collecting Rent from our Tenants, Who May Not be Able to Pay.***

Our financial results depend significantly on leasing space in our properties to tenants on economically favorable terms. In addition, because a substantial majority of our income comes from the renting of real property, our income, funds available to pay indebtedness and funds available for distribution to our shareholders will decrease if a significant number of our tenants cannot pay their rent. If a tenant does not pay

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its rent, we might not be able to enforce our rights as landlord without delays and might incur substantial legal costs. For information regarding the bankruptcy of our tenants, see Bankruptcy or insolvency of tenants may decrease our revenues and available cash below.

***Bankruptcy or Insolvency of Tenants May Decrease our Revenues and Available Cash.***

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

***Real Estate is a Competitive Business.***

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

***We May Incur Costs to Comply With Environmental Laws.***

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

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

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We carry comprehensive liability and all risk property insurance ((i) fire, (ii) flood, (iii) extended coverage, (iv) acts of terrorism as defined in the Terrorism Risk Insurance Act of 2002, which expires in 2005, and (v) rental loss insurance) with respect to our assets. Below is a summary of the all risk property insurance and terrorism risk insurance for each of our business segments:

	<b>Coverage Per Occurrence</b>	
	<b>All Risk<sup>(1)</sup></b>	<b>Sub-limits for Acts of Terrorism</b>
New York Office	\$ 1,400,000,000	\$ 750,000,000
Washington, DC Office	\$ 1,400,000,000	\$ 750,000,000
Retail	\$ 500,000,000	\$ 500,000,000
Merchandise Mart	\$ 1,400,000,000	\$ 750,000,000
Temperature Controlled Logistics	\$ 225,000,000	\$ 225,000,000

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

In addition to the coverage above, we carry lesser amounts of coverage for terrorist acts not covered by the Terrorism Risk Insurance Act of 2002. To the extent that we incur losses in excess of our insurance coverage, these losses would be borne by us and could be material.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), Vornado Realty L.P.'s senior unsecured notes due 2007, 2009 and 2010, the exchangeable senior debentures due 2025 and our revolving credit agreement, contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage under these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, or if the Terrorism Risk Insurance Act of 2002 is not extended, it could adversely affect our ability to finance and/or refinance our properties and expand our portfolio.

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

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

During 2004, 64.2% of our EBITDA, excluding items that affect comparability, came from properties located in New Jersey and the New York City and Washington, DC metropolitan areas. In addition, we may continue to concentrate a significant portion of our future acquisitions in New York City/ New Jersey and Washington, DC metropolitan areas. Like other real estate markets, the real estate markets in these areas have experienced economic downturns in the past, and we cannot predict how economic conditions will impact these markets in both the short and long-term. Declines in the economy or a decline in the real estate markets in these areas could hurt our financial performance and the value of our properties. The factors affecting economic conditions in these regions include:

space needs of the United States Government, including the effects of base closures and repositioning under the Defense Base Closure and Realignment Act of 1990, as amended;

business layoffs or downsizing;

industry slowdowns;

relocations of businesses;

changing demographics;

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increased telecommuting and use of alternative work places;

financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries;

infrastructure quality; and

any oversupply of or reduced demand for real estate.

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

***Terrorist Attacks Such as Those of September 11, 2001 in the New York City and the Washington, DC Areas May Adversely Affect the Value of Our Properties and Our Ability to Generate Cash Flow.***

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

***We May Acquire or Sell Additional Assets or Develop Additional Properties. Our Failure or Inability to Consummate These Transactions or Manage the Results of These Transactions Could Adversely Affect Our Operations and Financial Results.***

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

We have experienced rapid growth in recent years, increasing our total assets from approximately \$565 million at December 31, 1996 to approximately \$11.6 billion at December 31, 2004. We may not be able to maintain a similar rate of growth in the future or manage our growth effectively. Our failure to do so may have a material adverse effect on our financial condition and results of operations and ability to pay dividends to our shareholders.

***We May Acquire or Develop New Properties and This May Create Risks.***

We may acquire or develop properties or acquire other real estate companies when we believe that an acquisition or development is consistent with our business strategies. We may not, however, succeed in consummating desired acquisitions or in completing developments on time or within budget. We also may not succeed in leasing newly developed or acquired properties at rents sufficient to cover their costs of acquisition or development and operations. Difficulties in integrating acquisitions may prove costly or time-consuming and could divert management's attention.

***It May Be Difficult to Buy and Sell Real Estate Quickly.***

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

***We May Not Be Permitted to Dispose of Certain Properties or Pay Down the Debt Associated With Those Properties When We Might Otherwise Desire to Do So Without Incurring Additional Costs.***

As part of an acquisition of a property, including our January 1, 2002 acquisition of Charles E. Smith Commercial Realty L.P.'s 13.0 million square foot portfolio, we may agree, and in the case of Charles E.

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

On January 1, 2002, we completed the acquisition of the 66% interest in Charles E. Smith Commercial Realty L.P. that we did not previously own. The terms of the merger restrict our ability to sell or otherwise dispose of, or to finance or refinance, the properties formerly owned by Charles E. Smith Commercial Realty L.P., which could result in our inability to sell these properties at an opportune time and without increased costs to us.

Subject to limited exceptions, we are restricted from selling or otherwise transferring or disposing of certain properties located in the Crystal City area of Arlington, Virginia or an interest in our division that manages the majority of our office properties in the Washington, DC metropolitan area, which we refer to as the CESC Division, for a period of 12 years with respect to certain properties located in the Crystal City area of Arlington, Virginia or six years with respect to an interest in the CESC Division. These restrictions, which currently cover approximately 13.0 million square feet of space, could result in our inability to sell these properties or an interest in the CESC Division at an opportune time and without increased costs to us.

***From Time to Time We Make Investments in Companies That We Do Not Control. Some of These Companies Operate in Industries That Differ From the Industries in Which We Currently Conduct Business, With Different Risks Than Investing in Real Estate.***

From time to time we make debt or equity investments in companies that we may not control or over which we may not have sole control. These investments include: a 33% interest in Alexander's, Inc.; a 22.5% interest in The Newkirk Master Limited Partnership; a 12.22% interest in GMH Communities L.P.; a 1.7% common equity interest in Sears Holdings Corporation; and mezzanine investments in other real estate related companies. In addition, on July 21, 2005, a joint venture that we own equally with Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys 'R Us, Inc. Although they generally have a significant real estate component, several of these entities operate businesses that are different from our primary line of business. Consequently, our investment in these businesses, among other risks, subjects us to the operating and financial risks of industries other than the real estate industry as well as not being able to solely control the operations of these businesses. From time to time we may (or may seek to) make additional investments in or acquire other entities that may subject us to additional similar risks.

**Our Organizational and Financial Structure Gives Rise to Operational and Financial Risks.**

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

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

For information about our available sources of funds, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources in our annual report on Form 10-K/A for the year ended December 31, 2004 and in our quarterly report on Form 10-Q for the quarter ended June 30, 2005 and the notes to the consolidated financial statements in the same reports.

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***Vornado Realty Trust Depends on its Direct and Indirect Subsidiaries' Dividends and Distributions, and These Subsidiaries' Creditors and Preferred Security Holders are Entitled to Payment of Amounts Payable to Them By the Subsidiaries Before the Subsidiaries May Pay Any Dividends or Distributions to Vornado Realty Trust.***

Substantially all of Vornado Realty Trust's assets are held through its Operating Partnership which holds substantially all of its properties and assets through subsidiaries. The Operating Partnership therefore depends for substantially all of its cash flow on cash distributions to it by its subsidiaries, and Vornado Realty Trust in turn depends for substantially all of its cash flow on cash distributions to it by the Operating Partnership. The creditors of each of Vornado Realty Trust's direct and indirect subsidiaries are entitled to payment of that subsidiary's obligations to them, when due and payable, before distributions may be made by that subsidiary to its equity holders. In addition, Vornado Realty Trust's participation in any distribution of the assets of any of its direct or indirect subsidiaries upon the liquidation, reorganization or insolvency of the subsidiary, is only after the claims of the creditors, including trade creditors and preferred security holders, if any, of the subsidiary are satisfied.

***We Have Indebtedness, and This Indebtedness May Increase.***

As of June 30, 2005, we had approximately \$5.635 billion in total debt outstanding. Our ratio of total debt to total enterprise value was approximately 32%. When we say "enterprise value" in the preceding sentence, we mean market equity value of Vornado Realty Trust plus debt less cash. In the future, we may incur additional debt, and thus increase our ratio of total debt to total enterprise value, to finance acquisitions or property developments.

***Vornado Realty Trust Might Fail to Qualify or Remain Qualified As a REIT.***

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

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

***Loss of Our Key Personnel Could Harm Our Operations and Adversely Affect the Value of Our Shares.***

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

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***Vornado Realty Trust's Charter Documents and Applicable Law May Hinder Any Attempt to Acquire Us.***

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

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

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

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

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

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

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

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

Under the Maryland General Corporation Law, as amended, which we refer to as the "MGCL," as applicable to real estate investment trusts, certain "business combinations," including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland real estate investment trust and any person who beneficially owns 10% or more of the voting power of the trust's shares or an affiliate or an associate, as defined in the MGCL, of the trust who, at any time within the two-year period before the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of beneficial interest of the trust, which we refer to as an "interested shareholder," or an affiliate of the interested shareholder are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. After that five-year period, any business combination of these kinds must be recommended by the board of trustees of the trust and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding shares of beneficial interest of the trust and (b) two-thirds of the votes entitled to be cast by holders of voting shares of the trust other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected, unless, among other conditions, the trust's common shareholders receive a minimum price, as defined in the MGCL, for their shares and the

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consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares. The provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of trustees of the applicable trust before the interested shareholder becomes an interested shareholder, and a person is not an interested shareholder if the board of trustees approved in advance the transaction by which the person otherwise would have become an interested shareholder. In approving a transaction, the board may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board. Vornado Realty Trust's board has adopted a resolution exempting any business combination between any trustee or officer of Vornado Realty Trust, or their affiliates, and Vornado Realty Trust. As a result, the trustees and officers of Vornado Realty Trust and their affiliates may be able to enter into business combinations with Vornado Realty Trust which may not be in the best interest of shareholders. With respect to business combinations with other persons, the business combination provisions of the MGCL may have the effect of delaying, deferring or preventing a change in control of Vornado Realty Trust or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. The business combination statute may discourage others from trying to acquire control of Vornado Realty Trust and increase the difficulty of consummating any offer.

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

***Steven Roth and Interstate Properties May Exercise Substantial Influence Over Us. They and Some of Our Other Trustees and Officers Have Interests or Positions in Other Entities That May Compete With Us.***

As of June 30, 2005, Interstate Properties, a New Jersey general partnership, and its partners owned approximately 13.5% of the common shares of Vornado Realty Trust and approximately 27.7% of the common stock of Alexander's, Inc. (Alexander's) Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, the managing general partner of Interstate Properties and the Chairman of the Board and Chief Executive Officer of Alexander's. Mr. Wight is a trustee of Vornado Realty Trust and is also a director of Alexander's. Mr. Mandelbaum is a trustee of Vornado Realty Trust and is also a director of Alexander's.

As of June 30, 2005, Vornado Realty L.P., our operating partnership, owned 33% of the outstanding common stock of Alexander's. Alexander's is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before it ceased operations in 1992. Alexander's has six properties, which are located in the New York City metropolitan area. Mr. Roth and Mr. Fascitelli, the President and a trustee of Vornado Realty Trust, are directors of Alexander's. Messrs. Mandelbaum, West and Wight are trustees of Vornado Realty Trust and are also directors of Alexander's.

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

Vornado Realty Trust currently manages and leases the real estate assets of Interstate Properties under a management agreement for which it receives an annual fee equal to 4% of base rent and percentage rent and

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certain other commissions. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on 60 days' notice at the end of the term. Vornado Realty Trust earned \$726,000, \$703,000 and \$747,000 of management fees under the management agreement for the years ended December 31, 2004, 2003 and 2002 and \$382,000 for the six months ended June 30, 2005. Because Vornado Realty Trust and Interstate Properties are controlled by the same persons, as described above, the terms of the management agreement and any future agreements between Vornado Realty Trust and Interstate Properties may not be comparable to those Vornado Realty Trust could have negotiated with an unaffiliated third party.

***There May Be Conflicts of Interest Between Alexander's and Us.***

As of June 30, 2005, the Operating Partnership owned 33% of the outstanding common stock of Alexander's. Alexander's is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander's has six properties. Interstate Properties, which is further described above, and its partners owned an additional 27.7% of the outstanding common stock of Alexander's, as of September 30, 2004. Mr. Roth, Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, is Chief Executive Officer, a director of Alexander's and managing general partner of Interstate, and Mr. Fascitelli, President and a trustee of Vornado Realty Trust, is President and a director of Alexander's. Messrs. Mandelbaum, West and Wight, trustees of the Company, are also directors of Alexander's and general partners of Interstate. Alexander's common stock is listed on the New York Stock Exchange under the symbol ALX.

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

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

**The Number of Shares of Vornado Realty Trust and the Market for Those Shares Give Rise to Various Risks.*****Vornado Realty Trust Has Many Shares Available for Future Sale, Which Could Hurt the Market Price of its Shares.***

As of June 30, 2005, we had authorized but unissued, 69,191,435 common shares of beneficial interest, \$.04 par value, and 81,010,600 preferred shares of beneficial interest, no par value, of which 40,081,264 preferred shares have not been reserved and remain available for issuance as a newly-designated class of preferred. We may issue these authorized but unissued shares from time to time in public or private offerings or in connection with acquisitions.

In addition, as of June 30, 2005, 22,374,844 Vornado Realty Trust common shares were reserved for issuance upon redemption of Operating Partnership common units (including, without limitation, the shares covered by this prospectus). Some of these shares may be sold in the public market after registration under the Securities Act under registration rights agreements between Vornado Realty Trust and some holders of common units of the Operating Partnership. These shares may also be sold in the public market under Rule 144 under the Securities Act or other available exemptions from registration. In addition, Vornado Realty Trust has reserved a number of common shares for issuance under its employee benefit plans, and these common shares will be available for sale from time to time. Vornado Realty Trust has awarded shares of

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restricted stock and granted options to purchase additional common shares to some of its executive officers and employees.

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

***Changes in Market Conditions Could Hurt the Market Price of Vornado Realty Trust's Shares.***

The value of Vornado Realty Trust's shares depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of Vornado Realty Trust's shares are the following:

the extent of institutional investor interest in us;

the reputation of REITs generally and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;

our financial condition and performance; and

general financial market conditions.

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

***Increased Market Interest Rates May Hurt the Value of Vornado Realty Trust's Shares.***

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

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**USE OF PROCEEDS**

The net proceeds from the sale of the Series I Preferred Shares are estimated to be approximately \$83,475,000, after deducting underwriting discounts and estimated offering expenses payable by us.

We intend to contribute the net proceeds of this offering to the Operating Partnership in exchange for 3,400,000 units of 6.625% Series I Preferred Units (the Series I Preferred Units ) in the Operating Partnership equal to the number of Series I Preferred Shares offered and sold hereby. The Operating Partnership will use the net proceeds from that issuance for general business purposes which may include redemption of outstanding preferred units called for redemption. Pending s