

VORNADO REALTY TRUST  
Form S-3  
April 02, 2004

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As filed with the Securities and Exchange Commission on April 1, 2004

Registration No. 333-

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### FORM S-3

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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## VORNADO REALTY TRUST

(Exact Name of Registrant as Specified in Its Charter)

**MARYLAND**

(State or Other Jurisdiction of  
Incorporation or Organization)

**22-1657560**

(IRS Employer Identification Number)

**888 Seventh Avenue  
New York, New York 10019  
(212) 894-7000**

(Address Including Zip Code, and Telephone  
Number, Including Area Code, of Registrant's  
Executive Offices)

**Joseph Macnow  
888 Seventh Avenue  
New York, New York 10019  
(212) 894-7000**

(Address Including Zip Code, and Telephone Number,  
Including Area Code, of Agent for Service)

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*Copy to:*

**William G. Farrar, Esq.  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004**

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**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement as determined by market conditions.

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If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

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**CALCULATION OF REGISTRATION FEE**

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Title of shares to be registered	Amount to be Registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price(2)	Amount of registration fee(2)
Common shares of beneficial interest, par value \$0.04 per share(1)	1,394,699	\$59.54	\$83,040,378	\$10,522

- (1) This Registration Statement registers 1,394,699 common shares of beneficial interest, par value \$0.04 per share ("Common Shares") of Vornado Realty Trust ("Vornado") that may be offered by certain selling shareholders (the "Selling Shareholders") including (i) up to 658,874 Common Shares that Vornado has issued or may elect to issue to certain Selling Shareholders of up to 658,874 class A units ("Units") of limited partnership interest in Vornado Realty L.P. (the "Operating Partnership") upon the tender of such Units for redemption, (ii) 29,630 Common Shares previously issued by the Registrant to its Executive Vice President-Development, Melvyn H. Blum, one of the Selling Shareholders, pursuant to a Deferred Stock Agreement, as amended, with Mr. Blum, (iii) 29,629 Common Shares underlying deferred stock units granted by Vornado to Mr. Blum pursuant to a Deferred Stock Agreement with Mr. Blum, (iv) 626,566 Common Shares previously issued by Vornado pursuant to an Employment Agreement with its President, Michael D. Fascitelli, to an irrevocable grantor trust, one of the Selling Shareholders, for the benefit of Mr. Fascitelli and his designated beneficiaries and (v) 50,000 Common Shares underlying options previously granted by Vornado to Myles H. Tanenbaum, one of the Selling Shareholders, in connection with Vornado's acquisition of Arbor Property Trust. The 58,874 Units that may be or have been redeemed for Common Shares were issued by the Operating Partnership to certain Selling Shareholders in connection with the acquisition of a real estate portfolio from the Kennedy family on April 1, 1998 and the 600,000 Units that may be or have been redeemed for Common Shares were issued by the Operating Partnership to certain Selling Shareholders in connection with the acquisition by the Operating Partnership on January 1, 2002 of the remaining 66% interest in Charles E. Smith Commercial Realty L.P. that the Operating Partnership did not already own. This Registration Statement also relates to such additional common shares as may be issued as a result of certain adjustments including, without limitation, share dividends and share splits.
- (2) In accordance with Rule 457(c) the maximum aggregate offering price is estimated solely for purposes of calculating the registration fee and is based on the average of the high and low reported sales prices on March 26, 2004 on the New York Stock Exchange.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

**The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to completion. Dated April 1, 2004.**

**1,394,699 SHARES**

**VORNADO REALTY TRUST**

**COMMON SHARES OF BENEFICIAL INTEREST**

The Selling Shareholders (the "Selling Shareholders") of Vornado Realty Trust ("Vornado") may offer from time to time up to 1,394,699 common shares of beneficial interest, par value \$0.04 per share ("Common Shares"), of Vornado, in amounts, at prices and on terms to be determined at the time of sale. Vornado will not receive any of the proceeds from the sale of the Common Shares being sold by the Selling Shareholders. See "Use of Proceeds" herein.

The Common Shares covered by this prospectus include up to 658,874 Common Shares that have been or may be issued to certain Selling Shareholders, at our option, upon the redemption of 658,874 class A units (the "Units") of limited partnership interest in Vornado Realty L.P.

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Vornado Realty L.P. is the operating partnership through which we own our assets and operate our business. The Units that have been or may be redeemed for Common Shares were issued in connection with our acquisition of a real estate portfolio from the Kennedy family on April 1, 1998 and with our acquisition on January 1, 2002 of the remaining 66% interest in Charles E. Smith Commercial Realty L.P. that we did not already own. We will acquire Units from the redeeming Unit holders in exchange for any Common Shares that we may issue to them.

We have registered the offering and resale of the Common Shares to allow the Selling Shareholders to sell them without restriction in the open market or otherwise, but the registration of the Common Shares does not necessarily mean that the Unit holders will elect to redeem their Units or that the Selling Shareholders will offer or sell their Common Shares. See "Selling Shareholders" herein.

The Selling Shareholders may sell the Common Shares offered hereby directly to purchasers or through underwriters, dealers, brokers or agents designated from time to time. Sales of Common Shares in particular offerings may be made on the New York Stock Exchange ("NYSE") or in the over-the-counter market or otherwise at prices and on terms then prevailing, at prices related to the then current market price, at fixed prices (which may be changed) or in negotiated transactions. To the extent required for any offering, a supplement to this Prospectus (a "Prospectus Supplement") will set forth the number of Common Shares then being offered, the initial offering price, the names of any underwriters, dealers, brokers or agents and the applicable sales commission or discount. Any such Prospectus Supplement will also contain a discussion of the material United States Federal income tax considerations relating to the Common Shares to the extent not contained herein. See "Plan of Distribution" herein.

The Common Shares of Vornado are listed on the NYSE under the symbol "VNO".

**See "Risk Factors" beginning on page 4 for certain factors relevant to an investment in the Common Shares.**

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Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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Prospectus dated \_\_\_\_\_, 2004.

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**You should rely only on the information contained in this prospectus and the accompanying prospectus supplement or incorporated by reference in these documents. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement. If anyone provides you with different, inconsistent or unauthorized information or representations, you must not rely on them. This prospectus and the accompanying prospectus supplement are an offer to sell only the securities offered by these documents, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus or any prospectus supplement is current only as of the date on the front of those documents.**

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#### AVAILABLE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any documents filed by us at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC's Internet site at <http://www.sec.gov> and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which our common shares are listed.

We have filed a registration statement on Form S-3 with the SEC relating to the securities covered by this prospectus. This prospectus is a part of the registration statement and does not contain all of the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document, please be aware that the reference is only a summary and that you should refer to the exhibits that are a part of the registration statements for a copy of the contract or other document. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C., as well as through the SEC's Internet site.

The SEC's rules allow us to "incorporate by reference" information into this prospectus. This means that we can disclose important information to you by referring you to another document. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of the initial registration statement of

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which this prospectus is a part and before the date that the offering of the securities by means of this prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus.

We incorporate by reference into this prospectus the following documents or information filed with the SEC:

- (1) Annual report of Vornado Realty Trust on Form 10-K for the fiscal year ended December 31, 2003, filed with SEC on March 3, 2004 (File No. 001-11954);
- (2) The description of Vornado Realty Trust common shares contained in our registration statement on Form 8-B, filed with the SEC on May 10, 1993 (File No. 001-11954); and
- (3) All documents filed by Vornado Realty Trust under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before the termination of this offering or after the date of the initial registration statement and before effectiveness of the registration statement, except that the information referred to in Item 402(a)(8) of Regulation S-K of the SEC is not incorporated by reference into this prospectus.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus, excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You can request those documents from our corporate secretary, 210 Route 4 East, Paramus, New Jersey 07652, telephone (201) 587-1000. Alternatively, copies of these documents may be available on our website ([www.vno.com](http://www.vno.com)). Any other documents available on our website are not incorporated by reference into this prospectus.

#### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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This prospectus, including the documents incorporated by reference in it, contains 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," "estimates," "intends," "plans" or similar expressions in this prospectus or the documents incorporated by reference. Unless the context otherwise requires or as otherwise specified, references in this prospectus to "Vornado," "we," "us" or "our" refer to Vornado Realty Trust and its subsidiaries, including Vornado Realty L.P., except where we make clear that we mean only the parent company, Vornado Realty Trust. In addition, we sometimes refer to Vornado Realty L.P. as the "Operating Partnership."

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, among others, those listed under the caption "Risk Factors" in this prospectus 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;

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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;

fluctuations in interest rates;

changes in real estate taxes and other expenses;

changes in market rental rates;

the timing and costs associated with property improvements and rentals;

changes in taxation or zoning laws;

government regulation;

availability of financing on acceptable terms or at all;

potential liability under environmental or other laws or regulations; and

general competitive factors.

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 or, if applicable, the date of the applicable document incorporated by reference.

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events. For more information on the uncertainty of forward-looking statements, see "Risk Factors" in this prospectus.

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## RISK FACTORS

An investment in our common shares involves risks. You should carefully consider, among other factors, the matters described below before deciding to purchase our common 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;

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whether we are able to pass some or all of any increased operating costs through to tenants;

how well we manage our properties;

fluctuations in interest rates;

changes in real estate taxes and other expenses;

changes in market rental rates;

the timing and costs associated with property improvements and rentals;

changes in taxation or zoning laws;

government regulation;

availability of financing on acceptable terms or at all;

potential liability under environmental or other laws or regulations; and

general competitive factors.

The rents we receive and the occupancy levels at our properties may decline as a result of adverse changes in any of these factors. If our rental revenues decline, we generally would expect to have less cash available to pay our indebtedness and distribute to our shareholders. In addition, some of our major expenses, including mortgage payments, real estate taxes and maintenance costs, generally do not decline when the related rents decline.

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

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

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not pay 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.

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In February 2003, KoninKlijke Ahold NV, parent of Stop & Shop, announced that it overstated its 2002 and 2001 earnings by at least \$500 million and is under investigation by the U.S. Justice Department and Securities and Exchange Commission. We cannot predict what effect, if any, this situation may have on Stop & Shop's ability to satisfy its obligation under the Bradlees guarantees and rent for existing Stop & Shop leases aggregating approximately \$10.5 million per annum.

The risk that some of our tenants may declare bankruptcy has been higher because of the September 11, 2001 terrorist attacks and the resulting decline in the economy. If there is not a sustained recovery of the economy, this risk may increase.

***All of our temperature controlled logistics warehouses are leased to one tenant, and that tenant is experiencing operating difficulties.***

The Operating Partnership owns a 60% general partnership interest in a partnership, which we refer to as the "Vornado Crescent Portland Partnership," that owns 87 cold storage warehouses nationwide with an aggregate of approximately 440.7 million cubic feet of refrigerated, frozen and dry storage space. In 1998, the Vornado Crescent Portland Partnership sold all of the non-real estate assets encompassing the operations of the temperature controlled business to a new partnership named AmeriCold Logistics, owned 60% by Vornado Operating Company, an independent, public company, which we refer to as "Vornado Operating," and 40% by Crescent Operating Inc. AmeriCold Logistics leases the underlying temperature controlled warehouses used in this business from the Vornado Crescent Portland Partnership (the "Landlord") which continues to own the real estate. During 2003, AmeriCold Logistics generated approximately 9% of our EBITDA. The leases, as amended, generally have a 15-year term with two-five year renewal options and provide for the payment of fixed base rent and percentage rent based on revenue AmeriCold Logistics receives from its customers. The contractual rent for 2003 was \$155,450,000. The Landlord's share of annual maintenance capital expenditures is \$9,500,000. In accordance with the leases, AmeriCold Logistics deferred payment of \$41,811,000 of 2003 rent due to the Landlord, of which our share was \$25,087,000. Based on the joint venture's policy of recognizing rental income when earned and collection is assured or cash is received, the joint venture did not recognize the amount of the rent deferred by AmeriCold Logistics in the year ended December 31, 2003. At December 31, 2003, our share of the joint venture's total deferred rent receivable from the tenant is \$49,436,000.

To the extent that the operations of AmeriCold Logistics may affect its ability to pay rent, including percentage rent due under the leases, we indirectly bear the risks associated with AmeriCold Logistics' cold storage business. The cold storage business is extremely competitive. Factors affecting AmeriCold Logistics' ability to compete include, among others, (a) general economic conditions, (b) customer policies about outsourcing warehouse and logistic services (c) warehouse locations, (d) customer mix and (e) availability, quality and price of additional services.

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***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, D.C. 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 clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair our ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) and underground storage tanks are also regulated by federal and state laws. We 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



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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.

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

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 2004 with a possible extension through 2005 and (v) rental loss insurance) with respect to our assets.

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Below is a summary of the all risk property insurance and terrorism risk insurance for each of our business segments:

	Coverage Per Occurrence	
	All Risk(1)	Sub-limits for Acts of Terrorism
New York Office	\$ 1,000,000,000	\$ 300,000,000
CESCR Office	\$ 1,000,000,000	\$ 300,000,000
Retail	\$ 500,000,000	\$ 500,000,000
Merchandise Mart	\$ 1,000,000,000	\$ 300,000,000
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. We are at risk of loss for losses in excess of these limits, which losses 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 and 2010 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, 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 D.C. Metropolitan Areas. Circumstances Affecting These Areas Generally Could Adversely Affect Our Business.**

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

During 2003, 73% of income before discontinued operations, gains on sale of real estate and cumulative effect of change in accounting principle came from properties located in New Jersey and the New York City and Washington, D.C. metropolitan areas. In addition, we may continue to concentrate a significant portion of our future acquisitions in New Jersey and the New York City and Washington, D.C. metropolitan areas. Like other real estate markets, the real estate markets in these areas have experienced economic downturns in the past, and we cannot predict how the current economic conditions will impact these markets in both the short and long term. Further declines in the economy or a decline in the real estate markets in these areas could hurt our financial performance and the value of our properties. The factors affecting economic conditions in these regions include:

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space needs of the United States Government;

business layoffs or downsizing;

industry slowdowns;

relocations of businesses;

changing demographics;

increased telecommuting and use of alternative work places;

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

infrastructure quality; and

any oversupply of or reduced demand for real estate.

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

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

We have significant investments in large metropolitan areas, including the New York/New Jersey, Washington, D.C. and Chicago metropolitan areas. In the aftermath of the terrorist attacks, tenants in these areas may choose to relocate their business to less populated, lower-profile areas of the United States that may be perceived to be less likely targets of future terrorist activity. This in turn would trigger a decrease in the demand for space in these areas, which could increase vacancies in our properties and force us to lease our properties on less favorable terms. 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 \$9.5 billion at December 31, 2003. 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

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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. 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

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we pay certain of the resulting tax costs of the seller. These agreements could result in our holding on to properties that we would otherwise sell and not pay down or refinance indebtedness that we would otherwise pay down or refinance.

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

Subject to limited exceptions, we are restricted from selling or otherwise transferring or disposing of certain properties located in the Crystal City area of Arlington, Virginia or an interest in our division that manages the majority of our office properties in the Washington, D.C. metropolitan area, which we refer to as the 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 increase costs to us.

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

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

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

For information about our available sources of funds, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" in our annual report on Form 10-K for the year ended December 31, 2003 and the notes to the consolidated financial statements in the same report.

***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. Thus, the Operating Partnership's ability to make distributions to holders of units depends on its subsidiaries' ability first to satisfy their obligations to their creditors

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and then to make distributions to the Operating Partnership. Likewise, Vornado Realty Trust's ability to pay dividends to holders of common and preferred shares depends on the Operating Partnership's ability first to satisfy its obligations to its creditors and make

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distributions payable to holders of preferred units and then to make distributions to Vornado Realty Trust.

Furthermore, the holders of preferred units of the Operating Partnership are entitled to receive preferred distributions before payment of distributions to holders of common units of the Operating Partnership, including Vornado Realty Trust. Thus, Vornado Realty Trust ability to pay dividends to holders of its shares and satisfy its debt obligations depends on the Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions payable to holders of preferred units and then to make distributions to Vornado Realty Trust. There are currently 17 series of preferred units of the Operating Partnership not held by Vornado Realty Trust that have preference over Vornado Realty Trust common shares. The total liquidation value of these 17 series of preferred units is approximately \$1,417,950,000.

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

### ***We have indebtedness, and this indebtedness may increase.***

As of December 31, 2003, we had approximately \$5.115 billion in total debt outstanding. Our ratio of total debt to total enterprise value was 35%. 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, it could not deduct distributions to shareholders in computing its taxable income and would have to pay federal income tax on its taxable income at regular corporate rates. The federal income tax payable would include any applicable alternative minimum tax. If Vornado Realty Trust had to pay federal income tax, the amount of money available to distribute to shareholders and pay its indebtedness would be reduced for the year or years involved, and Vornado Realty Trust would no longer be required to distribute money to shareholders. In addition, Vornado Realty Trust would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless it was entitled to relief under the relevant statutory provisions. Although Vornado Realty Trust currently intends to operate in a manner designed to allow it to qualify as a REIT, future economic, market, legal, tax or other considerations may cause it to revoke the REIT election.

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

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

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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

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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 number of shares of beneficial interest that Vornado Realty Trust may issue.

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

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

voting shares of the trust other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected, unless, among other conditions, the trust's common shareholders receive a minimum price, as defined in the MGCL, for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares. The provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of trustees of the applicable trust before the interested shareholder becomes an interested shareholder, and a person is not an interested shareholder if the board of trustees approved in advance the transaction by which the person otherwise would have become an interested shareholder. In approving a transaction, the board may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board. Vornado Realty Trust's board has adopted a resolution exempting any business combination between any trustee or officer of Vornado Realty Trust, or their affiliates, and Vornado Realty Trust. As a result, the trustees and officers of Vornado Realty Trust and their affiliates may be able to enter into business combinations with Vornado Realty Trust 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 December 31, 2003, Interstate Properties, a New Jersey general partnership, and its partners owned approximately 11.7% of the common shares of Vornado Realty Trust and approximately 27.5% of the common stock of Alexander's, Inc. and beneficially owned approximately 7.9% of the common stock of Vornado Operating (approximately 17.0% assuming redemption of 447,017 units of Vornado Operating L.P., the operating subsidiary of Vornado Operating, that are beneficially owned by Interstate Properties and redeemable for common stock of Vornado Operating). 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, the Chief Executive Officer and a director of Alexander's and the Chairman of the Board and Chief Executive Officer of Vornado Operating. Mr. Wight is a trustee of Vornado Realty Trust and is also a director of both Alexander's and Vornado Operating. Mr. Mandelbaum is a trustee of Vornado Realty Trust and is also a director of Alexander's.

As of December 31, 2003, we owned 33.1% of the outstanding common stock of Alexander's. Alexander's is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander's has six properties, which are located in the New York City metropolitan area. Mr. Roth and Mr. Fascitelli, the President and a trustee of Vornado Realty Trust, are directors of Alexander's. Messrs. Mandelbaum, West and Wight are trustees of Vornado Realty Trust and are also directors of Alexander's.

Because of these overlapping interests, Mr. Roth and Interstate Properties and its partners may have substantial influence over Vornado Realty Trust, Alexander's and Vornado Operating and on the outcome of any matters submitted to Vornado Realty Trust, Alexander's or Vornado Operating'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

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which may result in conflicts of interest with respect to matters affecting us, Alexander's or Vornado Operating, 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, Alexander's and Vornado Operating, competition for properties and tenants, possible corporate transactions such as acquisitions and other strategic decisions affecting the future of these entities.

Vornado Realty Trust currently manages and leases the real estate assets of Interstate Properties under a management agreement for which it receives an annual fee equal to 4% of base rent and percentage rent and certain other commissions. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on 60 days' notice at the end of the term. Vornado Realty Trust earned \$703,000, \$747,000 and \$1,133,000 of management fees under the management agreement for the years ended December 31, 2003, 2002 and 2001. In addition, during fiscal years 2003, 2002 and 2001, as a result of a previously existing leasing arrangement with Alexander's, Alexander's paid to Interstate \$587,000, \$703,000 and \$522,000, respectively, for the leasing and other services actually rendered by Vornado Realty Trust. Upon receipt of these payments, Interstate promptly paid them over to Vornado Realty Trust without retaining any interest therein. This arrangement was terminated in 2003 and all payments by Alexander's for these leasing and other services are made directly to Vornado Realty Trust. 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.

*We engage in transactions with Vornado Operating on terms that may or may not be comparable to those we could negotiate with unaffiliated third parties.*

In October 1998, Vornado Operating was spun off from Vornado Realty Trust in order to own assets that Vornado Realty Trust could not itself own and conduct activities that Vornado Realty Trust could not itself conduct. In addition to being trustees of Vornado Realty Trust, Messrs. Roth, Fascitelli, West and Wight are directors of Vornado Operating. Mr. Roth is also Chairman of the Board and Chief Executive Officer of Vornado Operating, Mr. Fascitelli is also President of Vornado Operating, and certain other members of Vornado Realty Trust's senior management hold corresponding positions with Vornado Operating.

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Vornado Realty L.P. entered into a \$75,000,000 unsecured revolving credit facility with Vornado Operating that expires on December 31, 2004. Borrowings under the revolving credit agreement bear interest at LIBOR plus 3%. Vornado Realty L.P. receives an annual commitment fee equal to 1% on the average daily unused portion of the facility. Vornado Operating is not required to pay any amortization under the revolving credit agreement during its term. The revolving credit agreement prohibits Vornado Operating from incurring indebtedness to third parties, other than certain purchase money debt and certain other exceptions, and prohibits Vornado Operating from paying dividends. As of December 31, 2003, \$21,989,000 was the carrying balance on our books for the amount outstanding under the revolving credit agreement.

Vornado Realty L.P. and Vornado Operating are parties to an agreement under which, among other things, (a) we will offer Vornado Operating, under certain circumstances, an opportunity to become the lessee of certain real property owned now or in the future by us under mutually satisfactory lease terms and (b) Vornado Operating will not make any real estate investment or other investments known as REIT-qualified investments unless it first offers us the opportunity to make the investment and we have rejected that opportunity. Under this agreement, we provide Vornado Operating with administrative, corporate, accounting, financial, insurance, legal, tax, data processing, human resources and operational services. For these services, Vornado Operating compensates us in an

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amount determined in good faith by us as the amount an unaffiliated third party would charge Vornado Operating for comparable services and reimburses us for certain costs incurred and paid to third parties on behalf of Vornado Operating. Under this agreement, compensation for these services was approximately \$330,000, for each of the years ended December 31, 2003, and 2002 and \$371,000 for the year ended December 31, 2001. Vornado Operating and Vornado Realty L.P. each have the right to terminate this agreement if the other party is in material default of the agreement or upon 90 days' written notice to the other party at any time. In addition, we have the right to terminate this agreement upon a change in control of Vornado Operating.

Vornado Operating's restated certificate of incorporation specifies that one of its corporate purposes is to perform this agreement and, for so long as the agreement remains in effect, prohibits Vornado Operating from making any real estate investment or other REIT-qualified investment without first offering the opportunity to Vornado Realty L.P. in the manner specified in the agreement.

We and Vornado Operating may enter into additional transactions in the future. Because we and Vornado Operating share common senior management and because four of our trustees also constitute the majority of the directors of Vornado Operating, the terms of the foregoing agreements and any future agreements between us and Vornado Operating may not be comparable to those we could have negotiated with an unaffiliated third party.

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

As of December 31, 2003, the Operating Partnership owned 33.1% 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, owned an additional 27.5% of the outstanding common stock of Alexander's as of December 31, 2003. Mr. Roth, Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, is Chief Executive Officer and a director of Alexander's, and Mr. Fascitelli, President and a trustee of Vornado Realty Trust, is President and a director of Alexander's. Messrs. Mandelbaum, West and Wight, trustees of the Company, are also directors of Alexander's. Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX."

At December 31, 2003, the Operating Partnership had loans receivable from Alexander's of \$124,000,000 at an interest rate of 12.48%, including \$29,000,000 drawn under a \$50,000,000 line of credit. The maturity date of the loans is the earlier of January 3, 2006 or the date that Alexander's Lexington Avenue construction loan is repaid fully. 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, Vornado Operating 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.**

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

As of February 16, 2004, we had authorized but unissued, 81,752,000 common shares of beneficial interest, \$.04 par value, and 60,039,000 preferred shares of beneficial interest, no par value. We may issue these additional shares from time to time in public or private offerings or in connection with acquisitions.

In addition, as of February 16, 2004, 26,430,943 Vornado Realty Trust common shares were reserved for issuance upon redemption of Operating Partnership units. Some of these shares may be sold in the public market after registration under the Securities Act under registration rights agreements between Vornado Realty Trust and some holders of units of the Operating Partnership. These shares may also be sold in the public market under Rule 144 under the Securities Act or other available exemptions from registration. In addition, Vornado Realty Trust has reserved a number of common shares for issuance under its employee benefit plans, and these common shares will be available for sale from time to time. Vornado Realty Trust has awarded shares of restricted stock and granted options to purchase additional common shares to some of its executive officers and employees.

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

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

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

the extent of institutional investor interest in 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.

**VORNADO REALTY TRUST**

Vornado Realty Trust is a fully integrated real estate investment trust organized under the laws of Maryland. Vornado conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P. Vornado Realty Trust is the sole general partner of, and owned approximately 82% of the common limited partnership interest in, Vornado Realty L.P. as of February 16, 2004.



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Vornado Realty Trust, through Vornado Realty L.P., currently owns directly or indirectly:

### Office Properties:

all or portions of 83 office properties in the New York City metropolitan area (primarily Manhattan) and in the Washington, D.C. and Northern Virginia area;

### Retail Properties:

60 retail center properties in six states and Puerto Rico aggregating approximately 12.9 million square feet, including 2.7 million square feet built by tenants on land leased from Vornado;

### Merchandise Mart Properties:

the Merchandise Mart Properties portfolio containing approximately 8.6 million square feet, including the 3.4 million square foot Merchandise Mart in Chicago;

### Temperature Controlled Logistics:

a 60% interest in the Vornado Crescent Portland Partnership that owns 87 cold storage warehouses nationwide with an aggregate of approximately 440.7 million cubic feet of refrigerated space leased to AmeriCold Logistics;

### Other Real Estate Investments:

33.1% 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 400,000 square feet of retail and office space;

a 22.6% interest in The Newkirk Master Limited Partnership, which owns office, retail and industrial properties and various debt interests in those properties;

eight dry warehouse/industrial properties in New Jersey containing approximately 2.0 million square feet; and

other investments including interests in other real estate, marketable securities and loans and rates receivable.

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

## USE OF PROCEEDS

All of the Common Shares are being offered by the Selling Shareholders. We will not receive any proceeds from the sale of the Common Shares but will acquire units in Vornado Realty L.P. in exchange for any Common Shares that we may issue to a redeeming Unit holder.

## SELLING SHAREHOLDERS

The following table sets forth the names of the Selling Shareholders, the total number of Common Shares beneficially owned by them as of March 5, 2004, the total number of Common Shares offered by the Selling Shareholders and the total number and percentage of outstanding Common Shares that will be beneficially owned by the Selling Shareholders upon completion of the offering. The table assumes that Units held by Selling Shareholders have been redeemed for Common Shares. In addition, since the Selling Shareholders may sell all, some or none of their Common Shares, the table assumes

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that the Selling Shareholders are offering, and will sell, all of the Common Shares to which this Prospectus relates.

Name of Selling Shareholders	Common Shares Beneficially Owned as of March 5, 2004	Common Shares Offered	Common Shares Beneficially owned as of March 5, 2004, as adjusted	Percentage of Outstanding Common Shares Beneficially Owned, as adjusted(2)
Melvyn H. Blum	209,491(1)	59,259	150,232(1)	*
The Chase Manhattan Bank, as Trustee for the irrevocable grantor trust between Vornado and The Chase Manhattan Bank (the "Trust")(3)	1,546,106(4)	626,566	919,540(4)	*
Myles H. Tanenbaum	50,000	50,000		*
Christopher G. Kennedy	191,587(5)	11,430	180,157(5)	*
Robert H. Smith	3,434,615(7)(8)(10)	300,000	3,134,615(7)(8)(10)	2.6%
Robert P. Kogod	3,010,254(7)(9)(10)	150,000	2,860,254(7)(9)(10)	2.4%
Arlene Kogod	2,337,558(7)(9)	150,000	2,187,558(7)(9)	1.8%
Other Selling Shareholders(6)	265,218	47,444	217,774	*

\*

less than 1%

(1)

Includes 29,629 Common Shares underlying Deferred Stock Units, which will be delivered not more than 10 business days after January 2, 2005 and 197,375 options to buy Common Shares which are exercisable immediately. Does not include 39,115 options to buy Common Shares that have not yet vested.

(2)

Based on Common Shares outstanding as of January 31, 2004.

(3)

This is an irrevocable "rabbi" trust for the benefit of Michael D. Fascitelli and his designated beneficiaries.

(4)

This amount does not include 48,500 Common Shares underlying Restricted Stock Units or 5,593,886 options to buy Common Shares owned by Mr. Fascitelli.

(5)

Includes 154,889 options to buy Common Shares which are exercisable immediately. Does not include 23,113 options to buy Common Shares that have not yet vested.

(6)

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These Selling Shareholders are or were partners of Vornado Realty L.P. who received Units in exchange for their interests in a real estate portfolio acquired from the Kennedy family on April 1, 1998. These three Selling Shareholders (assuming all Units have been redeemed for Common Shares) beneficially own less than 1% of the outstanding Common Shares.

- (7) Includes 1,093,978 Common Shares with respect to which beneficial ownership is shared by Mr. Smith, Clarice Smith, Mr. Kogod and Ms. Kogod. Ownership with respect to Common Shares held by 1730 M Street Associates Limited Partnership is determined based upon each Selling Shareholders' proportionate ownership in such entity.
- (8) Includes 1,240,709 Common Shares with respect to which beneficial ownership is shared solely by Mr. and Mrs. Smith.
- (9) Includes 962,628 Common Shares with respect to which beneficial ownership is shared solely by Mr. and Mrs. Kogod.
- (10) Includes 5,929 Common Shares with respect to which beneficial ownership is shared solely by Mr. Smith and Mr. Kogod.

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### Certain Relationships

Michael D. Fascitelli and Vornado have entered into an employment agreement pursuant to which Mr. Fascitelli serves as President of Vornado. Mr. Fascitelli is a member of Vornado's Board of Trustees and the Board of Directors of Alexander's. In addition, Mr. Fascitelli serves as President of Vornado Operating. Melvyn H. Blum and Vornado have entered into an employment agreement pursuant to which Mr. Blum serves as Vornado's Executive Vice President-Development. Christopher G. Kennedy is the President of Vornado's Merchandise Mart Division. Robert H. Smith and Robert P. Kogod are members of Vornado's Board of Trustees. In addition, Mr. Smith is Chairman of Charles E. Smith Commercial Realty. Previously, Mr. Smith was Co-Chief Executive Officer and Co-Chairman of the Board of Directors of Charles E. Smith Realty L.P. and Mr. Kogod was Co-Chief Executive Officer and Co-Chairman of the Board of Directors of Charles E. Smith Realty L.P. Arlene Kogod is the wife of Mr. Kogod.

### Registration Rights

Vornado has filed the Registration Statement pursuant to its obligations under (i) its employment agreement with Mr. Fascitelli (as such agreement has been amended, the "Fascitelli Employment Agreement"), (ii) its Deferred Stock Agreement with Mr. Blum (as such agreement has been amended, the "Deferred Stock Agreement") and (iii) a Registration Rights Agreement, dated April 1, 1998 (the "Registration Rights Agreement"), between Vornado and the Unit holders named therein, entered into in connection with the acquisition of a Kennedy family real estate portfolio. In addition, Vornado has agreed to register Common Shares held by Mr. Smith, Mr. Kogod, Ms. Kogod and Mr. Tanenbaum in this Registration Statement. Vornado is obligated to maintain the effectiveness of the Registration Statement until the date on which the Common Shares registered thereunder have been sold or otherwise transferred or the date on which the Common Shares have become eligible for sale pursuant to Rule 144(k) (or any similar provision then in force) under the Securities Act. In addition, Vornado has agreed that in the event Common Shares are transferred to a member of Mr. Fascitelli's immediately family, Vornado will file a supplement to this Prospectus to add such family member as a selling shareholder.

Pursuant to the Fascitelli Employment Agreement, the Deferred Stock Agreement and the Registration Rights Agreement, and except as set forth below, Vornado has agreed to pay all expenses of effecting the registration of the Common Shares offered by the Selling Shareholders (other than agency fees and commissions, underwriting discounts and commissions, and certain disbursements of counsel or other advisors or experts retained by the Selling Shareholders). Mr. Tanenbaum has agreed to pay all expenses of effecting the registration of the Common Shares offered by him.

Vornado has agreed to indemnify and hold harmless Mr. Fascitelli, Mr. Blum and the Unit holders named in the Registration Rights Agreement against any losses, claims, damages or liabilities arising under the securities laws, except to the extent they arise out of written information furnished to Vornado by Mr. Fascitelli, Mr. Blum and the Unit holders named in the Registration Rights Agreement for use in the Registration Statement or this Prospectus. In addition, Vornado may require an undertaking reasonably satisfactory to it from the Selling Shareholders to indemnify and hold harmless Vornado, its trustees, officers who sign the Registration Statement, any person who controls Vornado, and any other holder of Common Shares that is included in the Registration Statement against any losses, claims, damages or liabilities arising under the securities laws with respect to written information furnished to Vornado by the Selling Shareholders for use in the Registration Statement or the Prospectus. Vornado may also agree to indemnify certain of the other Selling Shareholders against certain liabilities, including liabilities under the Securities Act of 1933.

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**DESCRIPTION OF COMMON SHARES**

The following description of our common shares is only a summary, and is qualified in its entirety by reference to, the provision governing the common shares contained in the declaration of trust and (b) the amended and restated bylaws, Copies of the declaration of trust and by-laws are exhibits to the registration statement of which this prospectus is a part. See "Available Information" for information about how to obtain copies of the declaration of trust and by-laws.

For Vornado Realty Trust to maintain its qualification as a REIT under the Internal Revenue Code, not more than 50% of the value of Vornado's outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals, as defined in the Code to include certain entities, at any time during the last half of a taxable year and the shares of beneficial interest must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Accordingly, the declaration of trust contains provisions that restrict the ownership and transfer of shares of beneficial interest.

The declaration of trust authorizes the issuance of up to 540,000,000 shares, consisting of 200,000,000 common shares, \$.04 par value per share, 70,000,000 preferred shares of beneficial interest, no par value per share, and 270,000,000 excess shares of beneficial interest, \$.04 par value per share.

As of February 29, 2004, 125,283,972 common shares were issued and outstanding. No excess shares were issued and outstanding as of February 29, 2004. The common shares of Vornado Realty Trust are listed on the NYSE under the symbol "VNO."

Of the authorized 70,000,000 preferred shares, Vornado has designated:

5,789,239 as \$3.25 Series A Convertible Preferred Shares;

3,400,000 as 8.5% Series B Cumulative Redeemable Preferred Shares;

4,600,000 as 8.5% Series C Cumulative Redeemable Preferred Shares;

3,500,000 as Series D-1 8.5% Cumulative Redeemable Preferred Shares;

549,336 as 8.375% Series D-2 Cumulative Redeemable Preferred Shares;

8,000,000 as Series D-3 8.25% Cumulative Redeemable Preferred Shares;

5,000,000 as Series D-4 8.25% Cumulative Redeemable Preferred Shares;

7,480,000 as Series D-5 8.25% Cumulative Redeemable Preferred Shares;

1,000,000 as Series D-6 8.25% Cumulative Redeemable Preferred Shares;

7,200,000 as Series D-7 8.25% Cumulative Redeemable Preferred Shares;

360,000 as Series D-8 8.25% Cumulative Redeemable Preferred Shares;

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1,800,000 as Series D-9 8.25% Cumulative Redeemable Preferred Shares; and

4,800,000 as Series D-10 7.00% Cumulative Redeemable Preferred Shares.

As of February 29, 2004, 335,067 Series A Preferred Shares, 3,400,000 Series B Preferred Shares, 4,600,000 Series C Preferred Shares and 1,600,000 Series D-10 Preferred Shares were outstanding. No Series D-1, Series D-2, Series D-3, Series D-4, Series D-5, Series D-6, Series D-7, Series D-8, or Series D-9 Preferred Shares were issued and outstanding as of February 29, 2004. Shares of each of these series may be issued in the future upon redemption of preferred units of limited partnership interest of Vornado Realty L.P. of a corresponding series that were issued and outstanding as of February 29, 2004. On March 17, 2004, we redeemed all of the issued and outstanding 8.5% Series B Cumulative Redeemable Preferred Shares.

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### **Dividend and Voting Rights of Holders of Common Shares**

The holders of Vornado common shares are entitled to receive dividends when, if and as authorized by the board of trustees and declared by Vornado out of assets legally available to pay dividends, if receipt of the dividends is in compliance with the provisions in the declaration of trust restricting the transfer of shares of beneficial interest. However, if any preferred shares are at the time outstanding, Vornado may only pay dividends or other distributions on common shares or purchase common shares if full cumulative dividends have been paid on outstanding preferred shares and there is no arrearage in any mandatory sinking fund on outstanding preferred shares. The terms of the series of preferred shares that are now issued and outstanding do not provide for any mandatory sinking fund.

The holders of common shares are entitled to one vote for each share on all matters on which shareholders are entitled to vote, including elections of trustees. There is no cumulative voting in the election of trustees, which means that the holders of a majority of the outstanding common shares can elect all of the trustees then standing for election. The holders of common shares do not have any conversion, redemption or preemptive rights to subscribe to any securities of Vornado. If Vornado is dissolved, liquidated or wound up, holders of common shares are entitled to share proportionally in any assets remaining after the prior rights of creditors, including holders of Vornado's indebtedness, and the aggregate liquidation preference of any preferred shares then outstanding are satisfied in full.

The common shares have equal dividend, distribution, liquidation and other rights and have no preference, appraisal or exchange rights. All outstanding common shares are, and any common shares offered by a prospectus supplement, upon issuance, will be, duly authorized, fully paid and non-assessable.

### **Restrictions on Ownership of Common Shares**

#### ***The Common Shares Beneficial Ownership Limit***

For Vornado to maintain its qualification as a REIT under the Internal Revenue Code, not more than 50% of the value of its outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of a taxable year and the shares of beneficial interest must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. The Internal Revenue Code defines "individuals" to include some entities for purposes of the preceding sentence. All references to a shareholder's ownership of common shares in this section "The Common Shares Beneficial Ownership Limit" assume application of the applicable attribution rules of the Internal Revenue Code under which, for example, a shareholder is deemed to own shares owned by his or her spouse.

The declaration of trust contains a number of provisions that restrict the ownership and transfer of shares and are designed to safeguard Vornado against an inadvertent loss of its REIT status. These provisions also seek to deter non-negotiated acquisitions of, and proxy fights for, us by third parties. The declaration of trust contains a limitation that restricts, with some exceptions, shareholders from owning more than a specified percentage of the outstanding common shares. We call this percentage the "common shares beneficial ownership limit." The common shares beneficial ownership limit was initially set at 2.0% of the outstanding common shares. The board of trustees subsequently adopted a resolution raising the common shares beneficial ownership limit from 2.0% to 6.7% of the outstanding common shares and has the authority to grant exemptions from the common shares beneficial ownership limit. The shareholders who owned more than 6.7% of the common shares immediately after the merger of Vornado, Inc. into Vornado in May 1993 may continue to do so and may acquire additional common shares through stock option and similar plans or from other shareholders who owned more than 6.7% of the common shares immediately after that merger. However, common shares

cannot be transferred if, as a result, more than 50% in value of the outstanding shares of Vornado would be owned by five or fewer individuals. While the shareholders who owned more than 6.7% of the common shares immediately after the merger of Vornado, Inc. into Vornado in May 1993 are not generally permitted to acquire additional common shares from any other source, these shareholders may acquire additional common shares from any source if Vornado issues additional common shares, up to the percentage held by them immediately before Vornado issues the additional shares.

Shareholders should be aware that events other than a purchase or other transfer of common shares can result in ownership, under the applicable attribution rules of the Internal Revenue Code, of common shares in excess of the common shares beneficial ownership limit. For instance, if two shareholders, each of whom owns 3.5% of the outstanding common shares, were to marry, then after their marriage both shareholders would be deemed to own 7.0% of the outstanding common shares, which is in excess of the common shares beneficial ownership limit. Similarly, if a shareholder who owns 4.9% of the outstanding common shares were to purchase a 50% interest in a corporation which owns 4.8% of the outstanding common shares, then the shareholder would be deemed to own 7.3% of the outstanding common shares. You should consult your own tax advisors concerning the application of the attribution rules of the Internal Revenue Code in your particular circumstances.

#### ***The Constructive Ownership Limit***

Under the Internal Revenue Code, rental income received by a REIT from persons in which the REIT is treated, under the applicable attribution rules of the Code, as owning a 10% or greater interest does not constitute qualifying income for purposes of the income requirements that REITs must satisfy. For these purposes, a REIT is treated as owning any stock owned, under the applicable attribution rules of the Code, by a person that owns 10% or more of the value of the outstanding shares of the REIT. The attribution rules of the Code applicable for these purposes are different from those applicable with respect to the common shares beneficial ownership limit. All references to a shareholder's ownership of common shares in this section "The Constructive Ownership Limit" assume application of the applicable attribution rules of the Code.

In order to ensure that rental income of Vornado will not be treated as nonqualifying income under the rule described in the preceding paragraph, and thus to ensure that Vornado will not inadvertently lose its REIT status as a result of the ownership of shares by a tenant, or a person that holds an interest in a tenant, the declaration of trust contains an ownership limit that restricts, with some exceptions, shareholders from owning more than 9.9% of the outstanding shares of any class. We refer to this 9.9% ownership limit as the "constructive ownership limit." The shareholders who owned shares in excess of the constructive ownership limit immediately after the merger of Vornado, Inc. into Vornado in May 1993 generally are not subject to the constructive ownership limit. The declaration of trust also contains restrictions that are designed to ensure that the shareholders who owned shares in excess of the constructive ownership limit immediately after the merger of Vornado, Inc. into Vornado in May 1993 will not, in the aggregate, own a large enough interest in a tenant or subtenant of the REIT to cause rental income received, directly or indirectly, by the REIT from that tenant or subtenant to be treated as nonqualifying income for purposes of the income requirements that REITs must satisfy. The restrictions described in the preceding sentence have an exception for tenants and subtenants from whom the REIT receives, directly or indirectly, rental income that is not in excess of a specified threshold.

Shareholders should be aware that events other than a purchase or other transfer of shares can result in ownership, under the applicable attribution rules of the Internal Revenue Code, of shares in excess of the constructive ownership limit. As the attribution rules that apply with respect to the constructive ownership limit differ from those that apply with respect to the common shares beneficial ownership limit, the events other than a purchase or other transfer of shares which can result in share ownership in excess of the constructive ownership limit can differ from those which can result in share

ownership in excess of the common shares beneficial ownership limit. You should consult your own tax advisors concerning the application of the attribution rules of the Code in your particular circumstances.

#### ***Issuance of Excess Shares If the Ownership Limits Are Violated***

The declaration of trust provides that a transfer of common shares that would otherwise result in ownership, under the applicable attribution rules of the Internal Revenue Code, of common share