Section 1: 10-Q (VORNADO REALTY L.P.)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: JUNE 30, 1998

or

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

For the transition period from _______________ to _________________

Commission File Number: 000-22635

VORNADO REALTY L.P.
(Exact name of registrant as specified in its charter)

DELAWARE	13-3925979
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

PARK 80 WEST, PLAZA II, SADDLE BROOK, NEW JERSEY	07663
(Address of principal executive offices)	(Zip Code)

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

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

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

/X/ Yes / / No

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VORNADO REALTY L.P.

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PART I. FINANCIAL INFORMATION

VORNADO REALTY L.P.

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT UNIT AMOUNTS)

	JUNE 30, 1998	DECEMBER 31, 1997
ASSETS:		
Real estate, at cost:		
Land	$ 612,909	$ 436,274
Buildings and improvements	2,173,752	1,118,334
Leasehold improvements and equipment	10,067	9,485
Total	2,796,728	1,564,093
Less accumulated depreciation and amortization	(195,557)	(173,434)
Real estate, net	2,601,171	1,390,659
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of $161,100 and $8,775	257,584	355,954
Restricted cash	26,489	27,079
Marketable securities	46,737	34,469
Investment in and advances to partially-owned entities, including investments in and advance to Alexander's of $107,789 and $108,752	690,216	482,787
Due from officers	15,070	8,625
Accounts receivable, net of allowance for doubtful accounts of $1,690 and $658	23,918	16,663
Mortgage loans receivable	33,875	88,663
Deposits in connection with real estate acquisitions	181,072	47,275
Receivable arising from the straight-lining of rents	34,072	24,127
Other assets	73,332	47,788
TOTAL ASSETS	$ 3,983,536	$ 2,524,089

	JUNE 30, 1998	DECEMBER 31, 1997
LIABILITIES AND PARTNERS' CAPITAL:		
Notes and mortgages payable	$ 1,156,862	$ 586,654
Revolving credit facility	652,250	370,000
Accounts payable and accrued expenses	76,702	36,538
Officer's deferred compensation payable	20,000	25,000
Deferred leasing fee income	9,906	9,927
Other liabilities	3,319	3,641
	1,919,039	1,031,760
Commitments and contingencies		
Partners' Capital:		
Preferred units of beneficial interest: no par value per unit; authorized, 20,000,000 units; liquidation preference $50.00 per unit; issued, 5,789,315 units	281,320	279,884
General partner units issued and outstanding, 83,327,904 and 72,164,654 units in each period	1,594,554	1,149,272
Limited partnership units; issued and outstanding 8,320,992 and 5,681,124 units	305,153	178,567
Partnership deficit	(114,070)	(109,561)
	2,066,957	1,498,162
Unrealized gain (loss) on securities available for sale	2,464	(840)
Due from officers for purchase of units of beneficial interest	(4,924)	(4,993)
Total partners' capital	2,064,497	1,492,329
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 3,983,536	$ 2,524,089

See notes to consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands except per unit amounts)

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	JUNE 30, 1998	JUNE 30, 1997	JUNE 30, 1998	JUNE 30, 1997
Revenues:				
Property rentals	$ 109,362	$ 41,004	$ 181,727	$ 63,471
Expense reimbursements	17,094	8,951	32,790	15,161
Other income (including fee income from related parties of $777 and $329 and $1,185 and $643)	2,067	707	4,217	1,327
Total revenues	128,523	50,662	218,734	79,959
Expenses:				
Operating	51,454	18,151	85,607	26,658
Depreciation and amortization	15,029	5,462	25,395	8,429
General and administrative	7,070	2,903	12,017	4,748
Amortization of officer's deferred compensation expense	--	6,249	--	12,498
Total expenses	73,553	32,765	123,019	52,333

Operating income	54,970	17,897	95,715	27,626
Income applicable to Alexander's	1,490	1,437	3,146	2,842
Income from partially owned entities	5,756	585	9,676	802
Interest and other investment income	5,271	9,241	12,837	11,658
Interest and debt expense	(26,679)	(13,272)	(46,502)	(17,350)
Net Income	40,808	15,888	74,872	25,578
Preferential allocations	(4,492)	(2,100)	(7,069)	(2,100)
Preferred unit distributions (including accretion of issuance expenses of $719 and $479 and $1,438 and $479)	(5,422)	(4,855)	(10,845)	(4,855)
Net Income applicable to Class A units	$ 30,894	$ 8,933	$ 56,958	$ 18,623
Net Income per Class A unit - basic	$ .38	$ .17	$ .74	$ .36
Net income per Class A unit - diluted	$ .37	$ .17	$ .72	$ .35
Dividends per Class A unit	$ .40	$ .32	$ .80	$ .64

See notes to consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	FOR THE SIX MONTHS ENDED	
	JUNE 30, 1998	JUNE 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 74,872	$ 25,578
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization (including debt issuance costs)	26,834	8,977
Amortization of officer's deferred compensation expense	--	12,498
Straight-lining of rental income	(6,414)	(1,487)
Equity in (income) loss of Alexander's, including depreciation of $300 in each period	(297)	307
Equity in net income of partially-owned entities	(9,676)	(282)
Gain on marketable securities	(1,447)	(579)
Changes in operating assets and liabilities	(1,661)	5,977
Net cash provided by operating activities	82,211	50,989
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of real estate and other	(681,387)	(263,790)
Investments in partially-owned entities	(165,633)	--
Investment in mortgage loans receivable	(2,875)	(226,000)
Repayment of mortgage loans receivable	57,663	--
Cash restricted for tenant improvements	590	(29,434)
Additions to real estate	(47,450)	(107,153)
Purchases of securities available for sale	(22,420)	(3,436)
Proceeds from sale or maturity of securities available for sale	14,903	--
Real estate deposits and other	(133,072)	--
Net cash used in investing activities	(979,681)	(629,813)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	1,295,855	463,000
Repayments on borrowings	(863,258)	(504)
Debt issuance costs	(6,533)	(1,857)
Proceeds from issuance of Class A units	445,282	--
Proceeds from issuance of preferred units	--	276,000
Repayment of borrowings on U.S. Treasury obligations	--	(9,636)
Distributions to Class A unitholders	(61,470)	(33,387)
Distributions to preferred unitholders	(10,845)	(4,855)
Issuance of units	69	193

Net cash provided by financing activities	799,100	688,954
Net (decrease) increase in cash and cash equivalents	(98,370)	110,130
Cash and cash equivalents at beginning of period	355,954	89,696
Cash and cash equivalents at end of period	$ 257,584	$ 199,826
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 43,370	$ 14,001
NON-CASH TRANSACTIONS:		
Financing assumed in acquisitions	$ 420,000	$ 215,000
Issuance of Class A and B units in connection with acquisitions	116,000	177,000
Unrealized gain on securities available for sale	3,304	996

See notes to consolidated financial statements.

VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Vornado Realty L.P. (the "Operating Partnership") is a Delaware limited partnership. It commenced operations on April 15, 1997 when Vornado Realty Trust("Vornado") a fully-integrated real estate investment trust ("REIT"), converted to an Umbrella Partnership REIT ("UPREIT") by transferring substantially all of its assets to the Operating Partnership in exchange for units. Vornado is the sole general partner of the Operating Partnership and owns a 92% limited partnership interest at June 30, 1998. As a result of such conversion, Vornado's activities are conducted through the Operating Partnership. All references to "Vornado" in these financial statements refer to Vornado Realty L.P.; all references to the "Operating Partnership" refer to Vornado Realty L.P. and all references to the "Company" refer to Vornado and its consolidated subsidiaries, including the Operating Partnership.

2. BASIS OF PRESENTATION

The consolidated balance sheet as of June 30, 1998, the consolidated statements of income for the three and six months ended June 30, 1998 and June 30, 1997 and the consolidated statements of changes in cash flows for the six months ended June 30, 1998 and June 30, 1997 are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Operating Partnership's 1997 Form 10-K. The results of operations for the period ended June 30, 1998 are not necessarily indicative of the operating results for the full year.

The accompanying unaudited consolidated condensed financial statements include the accounts of Vornado Realty L.P. All significant intercompany amounts have been eliminated. Equity interests in partially-owned entities include partnerships, joint ventures and preferred stock affiliates (corporations in which the Company owns all of the preferred stock and none of the common equity) and are accounted for under the equity method of accounting as the Company exercises significant influence. These investments are recorded initially at cost and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Ownership of the preferred stock entitles the Company to substantially all of the economic benefits in the preferred stock affiliates. The common stock of the preferred stock affiliates is owned by Officers and Trustees of Vornado.

Certain prior period amounts have been reclassified to conform to the June 30, 1998 financial statement presentation.

3. ACQUISITIONS AND FINANCINGS:

ACQUISITIONS:

Westport

On January 29, 1998, the Company acquired the Westport Corporate Office

Park from a limited partnership that included members of the Mendik Group, a related party. The purchase price was approximately $14 million consisting of $6 million of cash and an $8 million mortgage loan.

One Penn Plaza

On February 9, 1998, the Company acquired a long-term leasehold interest in One Penn Plaza, a Manhattan office building from Mid-City Associates. The purchase price was approximately $410 million consisting of $317 million of cash and a $93 million bridge mortgage loan.

150 East 58th Street

On March 9, 1998, the Company acquired 150 East 58th Street (the "Architects and Design Center"), a Manhattan office building, for a cash purchase price of approximately $118 million, from a limited partnership.

The Merchandise Mart Properties

On April 1, 1998, the Company acquired a real estate portfolio from the Kennedy Family for approximately $630 million, consisting of $187 million in cash, $116 million in Operating Partnership Units, $77 million in existing debt and $250 million of newly issued debt. The components of the $630 million reflect a July 1998 repayment of a $26 million mortgage.

The acquired real estate assets consist of a portfolio of properties used for office, retail and trade showroom space which aggregate approximately 5.4 million square feet and include the Merchandise Mart in Chicago. The transaction also includes the acquisition of Merchandise Mart Properties, Inc. which manages the properties and trade shows.

Following is a summary of the notes and mortgages payable, collateralized by the Merchandise Mart Properties (amounts in thousands):

Merchandise Mart mortgage payable, due in 1999, non-amortizing with interest at LIBOR plus 1.35% (7.09% at June 30, 1998) (prepayable without penalty)	$250,000
Washington Office Center mortgage payable, due in 2004, amortization based on a 25 year term, with interest at 6.80% (prepayable with yield maintenance)	51,537
Washington Design Center mortgage payable, due in 2000, amortization based on a 25 year term, with interest at LIBOR plus 3.00% (8.77% at June 30, 1998) (prepayable without penalty)	24,335
	$325,872

888 Seventh Avenue and 40 Fulton Street

On June 2, 1998, the Company entered into an agreement to acquire the leasehold interest in 888 Seventh Avenue, a 46 story office building containing approximately 847,000 square feet located in midtown Manhattan, and simultaneously acquired 40 Fulton Street, a 29 story office building containing approximately 234,000 square feet located in downtown Manhattan. The aggregate consideration for both buildings is approximately $154.5 million. The acquisition of 888 Seventh Avenue is expected to be completed not later than the third quarter of 1999 in conjunction with other unrelated transactions to be effected by the seller, and is subject to customary closing conditions.

OTHER FINANCINGS:

Sale of Common Shares

On April 15, 1998, Vornado completed the sale of 10,000,000 common shares pursuant to an effective registration statement with net proceeds to the Company of approximately $401,000,000. On April 29, 1998, Vornado sold 1,132,420 common shares to a unit investment trust, which were valued for the purpose of the trust at $41.06 per share, resulting in net proceeds of approximately $44,000,000.

One Penn Plaza

On June 15, 1998, the Company completed a $275,000,000 refinancing of its One Penn Plaza office building and borrowed $170,000,000 pursuant thereto. In the third quarter, the Company borrowed the remaining $105,000,000. The debt matures in June 2002, is prepayable at anytime, and bears interest at LIBOR + 1.25% (currently 6.95%). This debt replaced the $93,000,000 bridge-mortgage loan financing put in place when the property was acquired.

See "Investments in and Advances to Partially Owned Entities" for other acquisitions and financing activities of partially owned entities.

PRO FORMA INFORMATION

The unaudited pro forma condensed consolidated information set forth below presents (i) the condensed consolidated statements of income for the Company for the six months ended June 30, 1998 and 1997 as if the acquisitions described above and those included in Investments in and Advances to Partially Owned entities and the financings attributable thereto had occurred on January 1, 1997 and (ii) the condensed consolidated pro forma balance sheet of the Company as of June 30, 1998, as if such acquisitions and financings had occurred on that date.

Condensed Consolidated Pro Forma Income Statements

	Pro Forma Six Months Ended June 30, 1998	Pro Forma Six Months Ended June 30, 1997
	(amounts in thousands, except per share amounts)	
Revenues	$ 281,391	$ 269,513
Net income	$ 76,176	$ 68,837
Preferred unit distributions	(10,845)	(9,992)
Preferential allocations	(8,104)	(8,104)
Net income applicable to Class A units	$ 57,227	$ 50,741
Net income per common Class A unit - basic	$ .69	$ .61
Net income per common Class A unit - diluted	$ .67	$ .59

VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Pro Forma Balance Sheet at June 30, 1998
(amounts in thousands)

Total assets	$4,282,536
Total liabilities	$2,218,039
Total partners' capital	2,064,497
Total liabilities and partners' capital	$4,282,536

4. INVESTMENTS IN AND ADVANCES TO PARTIALLY-OWNED ENTITIES:

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

INVESTMENTS AND ADVANCES:

	June 30, 1998	December 31, 1997

	(amounts in thousands)	
Cold Storage Companies	$351,970	$243,846
Alexander's	107,789	108,752
Charles E. Smith Commercial Realty L.P.	61,375	60,437
Hotel Pennsylvania	45,159	20,152
Mendik Partially-Owned Office Buildings	80,302	37,209
Vornado Management Corp., Mendik Management Company, Merchandise Mart Properties, Inc. and other	43,621	12,391
	$690,216	$482,787

INCOME:

	Three Months Ended		Six Months Ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
	(amounts in thousands)			
Income Applicable to Alexander's	$1,490	$1,437	$3,146	$2,842
Other Partially-Owned Entities:				
Cold Storage Companies	$1,450	$ --	$3,164	$ --
Hotel Pennsylvania	1,445	--	1,389	--
Charles E. Smith Commercial Realty L.P.	1,352	--	2,351	--
Mendik Partially-Owned Office Buildings	409	282	1,322	282
Vornado Management Corp., Mendik Management Company, Merchandise Mart Properties Inc. and other	1,100	303	1,450	520
	$5,756	$ 585	$9,676	$ 802

Alexander's

Alexander's is managed by and its properties are leased by the Company pursuant to agreements with a one-year term which are automatically renewable. Subject to the payments of rents by Alexander's tenants, the Company is due $3,689,000 under its leasing agreement with Alexander's which amount is included in Investments in and Advances to Alexander's. Included in Income from Vornado Management Corp. is management fee income from Alexander's of $938,000 and $1,876,000 in each of the three and six months ended June 30, 1998 and 1997, respectively.

On June 18, 1998, Alexander's increased its interest in the Kings Plaza Mall to 100% by acquiring Federated Department Store's ("Federated") 50% interest. The purchase price was approximately $28,000,000, which was paid in cash. In addition, Alexander's has agreed to pay Federated $15,000,000 to renovate its Macy's store in the mall in exchange for certain modifications to the Kings Plaza Operating Agreement. In connection with the acquisition, Alexander's has completed a $90 million three-yea mortgage loan with Union Bank of Switzerland.

Cold Storage Companies

On April 23, 1998, the Cold Storage Companies completed a $550,000,000 non-recourse ten-year loan secured by 58 of its warehouses. The loan bears interest at 6.89%. The net proceeds from the loan together with working capital were used to repay $607,000,000 of bridge financing, which replaced high yield debt assumed at the date of acquisition.

On June 15, 1998, a partnership in which the Company owns a 60% interest through a preferred stock affiliate acquired the assets of Freezer Services, Inc., consisting of nine cold storage warehouses in the central United States for approximately $133 million, including $107 million in cash and $26 million in indebtedness. On July 1, 1998, the Carmar Group cold storage warehouse business was similarly acquired for approximately $158 million including $144 million in cash and $14 million indebtedness. Carmar owns and operates five cold storage distribution warehouses in the midwest and southeast United States.

Hotel Pennsylvania

On May 1, 1998, the Company acquired an additional 40% interest in the Hotel Pennsylvania increasing its ownership to 80%. The Company purchased the additional 40% interest from Hotel Properties Limited (one of its joint venture partners) for approximately $70 million, including $48 million of existing debt.

Mendik Partially-Owned Office Buildings

On April 20, 1998, the Company increased its interest from 5.6% to approximately 50% in 570 Lexington Avenue, a 49 story office building located in midtown Manhattan containing approximately 435,000 square feet. The Company purchased the additional interest for approximately $37.2 million, including $4.9 million of existing debt.

5. OTHER RELATED PARTY TRANSACTIONS

The Company lent Mr. Fascitelli, the President of the Company, $3,500,000 on March 2, 1998 and $2,600,000 on April 30, 1998, in accordance with the terms of his employment agreement. The loans have a five-year term and bear interest, payable quarterly, at a rate of 5.47% and 5.58%, respectively (based on the mid-term applicable federal rate provided under the Internal Revenue Code).

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a management agreement. Management fees earned by the Company pursuant to the management agreement were $574,000 and $184,000 for the three months ended June 30, 1998 and 1997 and $772,000 and $377,000 for the six months ended June 30, 1998 and 1997.

The Mendik Group owns an entity which provides cleaning and related services and security services to office properties including the Company's Manhattan office properties acquired subsequent to June 30, 1997. The Company was charged fees for these services of $5,957,000 and $11,224,000 for the three and six months ended June 30, 1998 and $2,585,000 for the period from April 15, 1997 to June 30, 1997. A portion of these fees is expected to be reimbursed to the Company by its tenants.

6. COMMITMENTS AND CONTINGENCIES

At June 30, 1998, in addition to the $652,250,000 balance outstanding under the Company's revolving credit facility, the Company has utilized approximately $77,000,000 of availability under the facility for letters of credit and guarantees primarily related to pending acquisitions.

In January 1997, two individual investors in Mendik Real Estate Limited Partnership ("RELP"), the publicly held limited partnership that indirectly owns a 60% interest in the Two Park Avenue Property, filed a purported class action against NY Real Estate Services 1, Inc. ("NY Real Estate"), Mendik RELP Corp., B&B Park Avenue, L.P. (an indirect subsidiary of the Company which acquired the remaining 40% interest in Two Park Avenue) and Bernard H. Mendik in the Supreme Court of the State of New York, County of New York, on behalf of all persons holding limited partnership interests in RELP. The complaint alleges that, for reasons which include purported conflicts of interest, the defendants breached their fiduciary duty to the limited partners, that the then proposed transfer of the 40% interest in Two Park Avenue would result in a burden on the operation and management of Two Park Avenue and that the transfer of the 40% interest violates RELP's right of first refusal to purchase the interest being transferred and fails to provide limited partners in RELP with a comparable transfer opportunity. Shortly after the filing of the complaint, another limited partner represented by the same attorneys filed an essentially identical complaint in the same court. Both complaints seek unspecified damages, an accounting and a judgment requiring either the liquidation of RELP and the appointment of a receiver or an auction of Two Park Avenue. In August 1997, a fourth limited partner, represented by separate counsel, commenced another purported class action in the same court by serving a complaint essentially identical to the complaints in the two previously commenced actions. These lawsuits have since been consolidated. On June 2, 1998, the parties entered into a Stipulation and Agreement of Compromise, Settlement and Release (the "Settlement"). The Settlement provides, among other things: (i) for Vornado to purchase the Partnership's interest in Two Park Avenue for approximately $34.6 million, which will be paid in cash, or at Vornado's election, in any combination of cash or shares of Vornado stock; and (ii) for Vornado to purchase the Partnership's interest in 550-600 Mamaroneck Avenue, Harrison, New York and 330 West 34th Street, New York, NY for an aggregate price of $30 million in cash. The Settlement is subject to, among other things, the final approval of the Court. The Court has scheduled a Settlement Fairness Hearing for September 23, 1998 to, among other things, determine whether the Settlement is fair, reasonable and adequate and to determine whether an Order and Final Judgment should be entered dismissing the actions with prejudice. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company.

In April 1997, the Company's Lodi shopping center was destroyed by a fire. The Company intends to rebuild the shopping center commencing in 1998, which rebuilding is subject to the approval of local authorities. The Company carries replacement value insurance. To date, the insurance carrier has paid the Company $5,500,000 as a deposit for the above mentioned rebuilding. In the event the Company cannot rebuild the shopping center, a large portion of the deposit would be returned to the carrier. If the shopping center is rebuilt, the Company will recognize a gain measured by the total proceeds from the insurance carrier, which could amount to approximately $10,000,000, net of the book value of the property of $1,564,000.

7. EARNINGS PER CLASS A UNIT

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

	Three Months Ended		Six Months Ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
	(amounts in thousands except per share amounts)			
Numerator:				
Net income	$ 40,808	$ 15,888	$ 74,872	$ 25,578
Preferred unit distributions	(5,422)	(4,855)	(10,845)	(4,855)
Preferential allocations	(4,492)	(2,100)	(7,069)	(2,100)
Numerator for basic and diluted earnings per Class A unit - Net income applicable to Class A units	$ 30,894	$ 8,933	$ 56,958	$ 18,623
Denominator:				
Denominator for basic earnings per Class A unit -- weighted average units	82,159	52,184	77,197	52,180
Effect of dilutive securities:				
Employee stock options	2,085	1,594	2,286	1,399
Denominator for diluted earnings per Class A unit - adjusted weighted average units and assumed conversions	84,244	53,778	79,483	53,579
Net income per Class A unit - basic	$ .38	$ .17	$ .74	$ .36
Net income per Class A unit - diluted	$ .37	$ .17	$ .72	$ .35

8. COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board issued Statement No. 130, "Reporting Comprehensive Income" (SFAS 130). SFAS 130 establishes standards for reporting and display of comprehensive income and its components. The statement, which requires disclosure of net income including unrealized gains and losses recognized in the equity section of the balance sheet, was adopted by the Company in the first quarter of 1998.

The Company's comprehensive income was $32,647,000 and $9,954,000 for the three months ended June 30, 1998 and 1997 and $60,262,000 and $19,619,000 for the six months ended June 30, 1998 and 1997.

9. SUBSEQUENT EVENTS

Investment in Limited Partnership

On July 8, 1998, the Company invested $47 million for a 30% share in a joint venture with Apollo Real Estate Investment Fund III, L.P. which owns Newkirk Holdings. Newkirk Holdings owns various equity and debt interests relating to 120 limited partnerships which own credit net leased real estate.

770 Broadway

On July 24, 1998, the Company acquired 770 Broadway, a 1,000,000 square foot Manhattan office building, for approximately $149 million, including $18 million of Vornado Operating Partnership Units (on June 26, 1998, $167,600,000 had been escrowed for this transaction).

Capital Trust

On July 29, 1998, the Company purchased $50 million of Capital Trust's 8.25% Step Up Convertible Trust Securities. The preferred shares are convertible at any time by the holder into common shares at a price of $11.70, reflecting a 30% conversion premium over Capital Trust's common stock price at the close of business on Friday, July 24, 1998. The preferred shares have a 20-year maturity and are non-callable for five years. Capital Trust is a fully integrated, self-managed specialty finance company focused on the commercial real estate industry. Steven Roth, Chairman and Chief Executive Officer of Vornado will join Capital Trust's Board of Trustees.

20 Broad Street

On August 4, 1998, the Company sold a 40% interest in a $27,000,000 mortgage on 20 Broad Street to one of the owners of the property for $10,800,000. On August 5, 1998, as part of a related transaction, the Company acquired the Mendik Group's 60% interest in the property for approximately $600,000 of Operating Partnership Units.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Certain factors could cause actual results to differ materially from those in the forward-looking statements. Factors that might cause such a material difference include, but are not limited to, (a) changes in the general economic climate, (b) local conditions such as an oversupply of space or a reduction in demand for real estate in the area, (c) conditions of tenants, (d) competition from other available space, (e) increased operating costs and interest expense, (f) the timing of and costs associated with property improvements, (g) changes in taxation or zoning laws, (h) government regulations, (i) failure of Vornado to continue to qualify as a REIT, (j) availability of financing on acceptable terms, (k) potential liability under environmental or other laws or regulations and (l) general competitive factors.

RESULTS OF OPERATIONS

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were $128,523,000 in the quarter ended June 30, 1998, compared to $50,662,000 in the prior year's quarter, an increase of $77,861,000. Revenues were $218,734,000 for the six months ended June 30, 1998, compared to $79,959,000 in the prior year's six months, an increase of $138,775,000. These increases included $74,498,000 and $134,247,000 of revenues from properties acquired which are not reflected in operations for all or a portion of the prior year's periods presented.

Property rentals were $109,362,000 in the quarter ended June 30, 1998, compared to $41,004,000 in the prior year's quarter, an increase of $68,358,000. Property rentals were $181,727,000 for the six months ended June 30, 1998, compared to $63,471,000 in the prior year's six months, an increase of $118,256,000. These increases resulted from:

Acquisitions:	Date of Acquisition	Three Months Ended June 30, 1998	Six Months Ended June 30, 1998
40 Fulton Street	June 1998	$ 489,000	$ 489,000
Merchandise Mart Properties	April 1998	26,887,000	26,887,000
150 E.58th Street	March 1998	4,018,000	5,150,000
One Penn Plaza	February 1998	14,437,000	22,609,000
Westport	January 1998	661,000	1,117,000
Green Acres Mall	December 1997	5,506,000	10,963,000
640 Fifth Avenue	December 1997	1,272,000	2,611,000
Riese	June 1997	1,208,000	2,486,000
90 Park Avenue	May 1997	6,957,000	13,889,000
Mendik	April 1997	3,583,000	24,949,000
Montehiedra Shopping Center	April 1997	367,000	2,203,000
		65,385,000	113,353,000
Leasing Activity and Step-Ups in Leases:			
Shopping centers		1,513,000	3,080,000
Office buildings		1,460,000	1,823,000
		$68,358,000	$ 118,256,000

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Tenant expense reimbursements were $17,094,000 in the quarter ended June 30, 1998, compared to $8,951,000 in the prior year's quarter, an increase of $8,143,000. Tenant expense reimbursements were $32,790,000 for the six months ended June 30, 1998, compared to $15,161,000 in the prior year's six months, an increase of $17,629,000. These increases included $8,477,000 and $18,174,000 from tenants at properties acquired which are not reflected in operations for all or a portion of the prior year's periods presented.

Operating expenses were $51,454,000 in the quarter ended June 30, 1998, as compared to $18,151,000 in the prior year's quarter, an increase of $33,303,000. Operating expenses were $85,607,000 for the six months ended June 30, 1998, compared to $26,658,000 in the prior year's six months, an increase of $58,949,000. These increases included $31,848,000 and $57,230,000 from properties acquired which are not reflected in operations for all or a portion of the prior year's periods presented.

Depreciation and amortization was $15,092,000 in the quarter ended June 30, 1998, as compared to $5,462,000 in the prior year's quarter, an increase of $9,567,000. Depreciation and amortization was $25,395,000 for the six months ended June 30, 1998, compared to $8,429,000 in the prior year's six months, an increase of $16,966,000. These increases were primarily a result of acquisitions.

General and administrative expenses were $7,070,000 in the quarter ended June 30, 1998 compared to $2,903,000 in the prior year's quarter, an increase of $4,167,000. General and administrative expenses were $12,017,000 for the six months ended June 30, 1998, compared to $4,748,000 in the prior year's six months, an increase of $7,269,000. Of these increases: (i) $1,162,000 and $2,721,000 is attributable to acquisitions, (ii) $1,585,000 and $2,551,000 resulted from payroll and corporate office expenses and (iii) $1,420,000 and $1,997,000 resulted from professional fees.

The Company recognized an expense of $6,249,000 and $12,498,000 in the prior year's quarter and six months representing the amortization of the deferred payment due to the Company's President, which was fully amortized at December 31, 1997.

Income applicable to Alexander's (loan interest income, equity in income and depreciation) was $1,490,000 in the quarter ended June 30, 1998, compared to $1,437,000 in the prior year's quarter, an increase of $53,000. Income applicable to Alexander's was $3,146,000 for the six months ended June 30, 1998, compared to $2,842,000 in the prior at year's six months, an increase of $304,000. These increases resulted primarily from the commencement of leases at Alexander's Rego Park and Kings Plaza store properties, partially offset by lower interest income on the Company's loan to Alexander's commencing in the second quarter of 1998.

Income from partially-owned entities was $5,756,000 in quarter ended June 30, 1998, compared to $585,000 in the prior year's quarter, an increase of $5,171,000. Income from partially-owned entities was $9,676,000 for the six months ended June 30, 1998, compared to $802,000 in the prior year's six months, an increase of $8,874,000. These increases resulted from:

Investments	Date of Acquisition	Three Months Ended June 30, 1998	Six Months Ended June 30, 1998
Cold Storage Companies	October 1997	$1,450,000	$3,164,000
Charles E. Smith Commercial Realty L.P.	October 1997	1,352,000	2,351,000
Hotel Pennsylvania	September 1997	1,445,000	1,389,000
Mendik Partially-owned office buildings	April 1997	127,000	1,040,000
Management Companies	Various	797,000	930,000
		$5,171,000	$8,874,000

Interest and other investment income (interest income on mortgage loans receivable, other interest income, dividend income and net gains on marketable securities) was $5,271,000 for the quarter ended June 30, 1998, compared to $9,241,000 in the prior year's quarter, a decrease of $3,970,000. This decrease resulted primarily from higher average investments in the second quarter of the prior year. Interest and other investment income was $12,837,000 for the six months ended June 30, 1998, compared to $11,658,000 in the prior year's six months, an increase of $1,179,000. This increase resulted primarily from gains on the sale of marketable securities.

Interest and debt expense was $26,679,000 for the quarter ended June 30, 1998, compared to $13,272,000 in the prior year's quarter, an increase of $13,407,000. Interest and debt expense was $46,502,000 for the six months ended June 30, 1998, compared to $17,350,000 in the prior year's six months, an increase of $29,152,000. These increases resulted primarily from debt in connection with acquisitions.

The preferential allocations to Class B, C, D, and E unitholders in the Operating Partnership aggregated $4,492,000 and $7,069,000 for the three and six months ended June 30, 1998 and $2,100,000 for the period from April 15, 1997 to June 30, 1997. Preferential allocations for the three and six months ended June 30, 1998 include approximately $1,915,000 applicable to Class B units issued in connection with the acquisition of the Merchandise Mart properties in April 1998.

The preferred unit distributions of $5,422,000 and $10,845,000 for the three and six months ended June 30, 1998 and $4,855,000 for the period from April 15, 1997 to June 30, 1997 in the prior year apply to the 6.5% preferred units issued in April and December 1997 and include accretion of expenses of issuing them.

LIQUIDITY AND CAPITAL RESOURCES

Six Months Ended June 30, 1998

Cash flows provided by operating activities of $82,211,000 was primarily comprised of (i) net income of $74,872,000 and (ii) adjustments for non-cash items of $9,000,000, offset by (iii) the net change in operating assets and liabilities of $1,661,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of $26,834,000, partially offset by (ii) the effect of straight-lining of rental income of $6,414,000 and (iii) equity in net income of partially-owned entities of $9,676,000.

Net cash used in investing activities of $979,681,000 was primarily comprised of (i) acquisitions of real estate of $681,387,000 (see detail below), (ii) investments in partially-owned entities of $165,633,000 (see detail below), (iii) deposits in connection with real estate acquisitions of $133,797,000 and (iv) capital expenditures of $47,450,000, partially offset by (v) proceeds from the repayment of mortgage loans receivable of $57,663,000 (Rickel and Riese mortgage loans). Acquisitions of real estate and investments in partially-owned entities comprised of (amounts in thousands):

	Cash	Debt Assumed	Value of Units Issued	Total Consideration
Real Estate:				
Merchandise Mart Properties	$ 187,000*	$ 327,000*	$ 116,000	$ 630,000
One Penn Plaza Office Building	317,000	93,000	--	410,000
150 East 58th Street Office Building	118,000	--	--	118,000
40 Fulton Street Office Building	54,000	--	--	54,000
Other	5,387	--	--	5,387
	$ 681,387	$ 420,000	$ 116,000	$1,217,387
Investments in Partially Owned Entities:				
Hotel Pennsylvania (acquisition of additional 40% interest increasing ownership to 80%)	$ 22,000	$ 48,000	$ --	$ 70,000
570 Lexington Avenue Office Building (increased interest from 5.6% to approximately 50%)	32,300	4,900	--	37,200
Acquisition of Freezer Services, Inc. (60% interest)	58,000	16,000	6,000	80,000
Reduction in Cold Storage Companies debt (60% interest)	44,000	--	--	44,000
Other	9,333	--	--	9,333
	$ 165,633	$ 68,900	$ 6,000	$ 240,533

* Reflects July 1998 repayment of $26 million of debt.

Net cash provided by financing activities of $799,100,000 was primarily comprised of (i) proceeds from borrowings of $1,295,855,000, and (ii) proceeds from the issuance of Class A units of $445,282,000 partially offset by (iii) repayment of borrowings of $863,258,000, (iv) distributions to Class A unitholders and (v) distribution to preferred unitholders of $10,845,000 (includes accretion of expenses of issuing the preferred units of $1,438,000).

Six Months Ended June 30, 1997

Cash flows provided by operating activities of $50,989,000 was comprised of (i) net income of $25,578,000, (ii) adjustments for non-cash items of $19,434,000 and (iii) the net change in operating assets and liabilities of $5,977,000. The adjustments for non-cash items are primarily comprised of (i) amortization of deferred officer's compensation expense of $12,498,000, (ii) depreciation and amortization of $8,977,000 and (iii) equity in loss of Alexander's of $307,000, partially offset by (iv) the effect of straight-lining of rental income of $1,487,000 and (v) equity in net income of investees of $282,000.

Net cash used in investing activities of $629,813,000 was primarily comprised of (i) expenditures of $263,790,000 in connection with the Mendik Transaction, (ii) investments in mortgage loans receivable of $226,000,000, (iii) capital expenditures of $107,153,000 (including the acquisition of a shopping center for $75,587,000 in April 1997 (Puerto Rico Transaction) and the acquisition of four other properties in June 1997 for $26,000,000 (Riese Transaction)) and (iv) restricted cash for tenant improvements of $29,434,000.

Net cash provided by financing activities of $688,954,000 was primarily comprised of proceeds from (i) borrowings of $463,000,000, and (ii) issuance of preferred units of $276,000,000, partially offset by (iii) distributions of $38,242,000 and (iv) the repayment of borrowings on U.S. Treasury obligations of $9,636,000.

Certain Cash Requirements Effecting the Company's Liquidity at June 30, 1998:

Acquisitions and investments completed subsequent to June 30, 1998:

Investment in Limited Partnership

On July 8, 1998, the Company invested $47 million for a 30% share in a joint venture with Apollo Real Estate Investment Fund III, L.P. which owns Newkirk Holdings. Newkirk Holdings owns various equity and debt interests relating to 120 limited partnerships which own credit net leased real estate.

770 Broadway

On July 24, 1998, the Company acquired 770 Broadway, a 1,000,000 square foot Manhattan office building for approximately $149 million, including $18 million of Vornado Operating Partnership Units (on June 26, 1998, $167,600,000 had been escrowed for this transaction).

Capital Trust

On July 29, 1998, the Company purchased $50 million of Capital Trust's 8.25% Step Up Convertible Trust Securities. The preferred shares are convertible at any time by the holder into common shares at a price of $11.70, reflecting a 30% conversion premium over Capital Trust's common stock price at the close of business on Friday, July 24, 1998. The preferred shares have a 20-year maturity and are non-callable for five years.

20 Broad Street

On August 4, 1998, the Company sold a 40% interest in a $27,000,000 mortgage on 20 Broad Street to one of the owners of the property, for $10,800,000. On August 5, 1998, as part of a related transaction, the Company acquired the Mendik Group's 60% interest in the property for approximately $600,000 of Operating Partnership Units.

Pending Acquisitions:

On June 2, 1998, the Company entered into an agreement to acquire the leasehold interest in 888 Seventh Avenue a 46 story office building containing approximately 847,000 square feet located in midtown Manhattan for approximately $100 million. The acquisition of 888 Seventh Avenue is expected to be completed not later than the third quarter of 1999 in conjunction with other unrelated transactions to be effected by the seller, and is subject to customary closing conditions.

On June 2, 1998, the Company entered into an agreement to settle existing litigation - see Legal Proceedings. The Settlement provides, among other things: (i) for Vornado to purchase the remaining 60% interest in Two Park Avenue for approximately $34.6 million. The net purchase price will be paid in cash, or at the Company's election, in any combination of cash or shares of Vornado stock and (ii) for Vornado to purchase the Partnership's interest in 550-600 Mamaroneck Avenue, Harrison, New York and 330 West 34th Street, New York, New York for an aggregate price of $30 million in cash. The Settlement is subject to, among other things, the final approval of the Court.

Financings:

On April 15, 1998, Vornado completed the sale of 10,000,000 common shares pursuant to an effective registration statement with net proceeds to the Company of approximately $401,000,000. On April 29, 1998, Vornado sold 1,132,420 common shares to a unit investment trust, which were valued for purposes of the trust at $41.06 per share, resulting in net proceeds of approximately $44,000,000.

On June 30, 1998, the Company had $652,250,000 outstanding under its $1,000,000,000 revolving credit facility at a blended interest rate of 7.12%.

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

On April 23, 1998, the Cold Storage Companies completed a $550,000,000 non-recourse ten-year loan secured by 58 of its warehouses. The loan bears interest at 6.89%. The net proceeds from the loan together with working capital were used to repay $607,000,000 of bridge financing, which replaced high yield debt assumed at the date of acquisition.

On June 15, 1998, the Company completed a $275,000,000 refinancing of its One Penn Plaza office building and borrowed $170,000,000 pursuant thereto. In the third quarter, the Company borrowed the remaining $105,000,000. The debt matures in June 2002, is prepayable at anytime, and bears interest at LIBOR + 1.25%; (currently 6.95%). This debt replaced the $93,000,000 bridge-mortgage loan financing put in place when the property was acquired.

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

Year 2000 Issues

The Company is continuing to address the Year 2000 issues. Review of the systems effecting the Company is progressing. During the six months ended June 30, 1998, the Company has not incurred substantial costs related to its Year 2000 efforts. The Company does not expect that the cost of modifications to it systems, if any, will have a material effect on its financial position, results of operations or liquidity.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In January 1997, two individual investors in Mendik Real Estate Limited Partnership ("RELP"), the publicly held limited partnership that indirectly owns a 60% interest in the Two Park Avenue Property, filed a purported class action against NY Real Estate Services 1, Inc. ("NY Real Estate"), Mendik RELP Corp., B&B Park Avenue, L.P. (an indirect subsidiary of the Company which acquired the remaining 40% interest in Two Park Avenue) and Bernard H. Mendik in the Supreme Court of the State of New York, County of New York, on behalf of all persons holding limited partnership interests in RELP. The complaint alleges that, for reasons which include purported conflicts of interest, the defendants breached their fiduciary duty to the limited partners, that the then proposed transfer of the 40% interest in Two Park Avenue would result in a burden on the operation and management of Two Park Avenue and that the transfer of the 40% interest violates RELP's right of first refusal to purchase the interest being transferred and fails to provide limited partners in RELP with a comparable transfer opportunity. Shortly after the filing of the complaint, another limited partner represented by the same attorneys filed an essentially identical complaint in the same court. Both complaints seek unspecified damages, an accounting and a judgment requiring either the liquidation of RELP and the appointment of a receiver or an auction of Two Park Avenue. In August 1997, a fourth limited partner, represented by separate counsel, commenced another purported class action in the same court by serving a complaint essentially identical to the complaints in the two previously commenced actions. These lawsuits have since been consolidated. On June 2, 1998, the parties entered into a Stipulation and Agreement of Compromise, Settlement and Release (the "Settlement"). By Order dated July 9, 1998, the Court granted preliminary approval of the Settlement and certified a class pursuant to CPLR 902, for settlement purposes. The Settlement provides, among other things: (i) for Vornado to purchase the Partnership's interest in Two Park Avenue for approximately $34.6 million, which will be paid in cash, or at Vornado's election, in any combination of cash or shares of Vornado stock (which will be freely tradable pursuant to a Section 3(a)(10) exemption under the Securities Act of 1933); and (ii) for Vornado Realty to purchase the Partnership's interest in 550-600 Mamaroneck Avenue, Harrison, New York and 330 West 34th Street, New York, NY for an aggregate price of $30 million in cash. Under the terms of the settlement, B&B Park Avenue, L.P. will not incur any liability to Plaintiffs. The Settlement is subject to, among other things, the final approval of the Court. The Court has scheduled a Settlement Fairness Hearing for September 23, 1998 to, among other things, determine whether the Settlement is fair, reasonable and adequate and to determine whether an Order and

Final Judgment should be entered dismissing the actions with prejudice. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits: The following exhibits are filed with this Quarterly Report on Form 10-Q.

27 Financial Data Schedule.

(b) Reports on Form 8-K

During the quarter ended June 30, 1998, Vornado Realty Trust filed the reports on Form 8-K described below:

Date of Report (Date of Earliest Event Reported)	Item Reported	Date Filed
April 1, 1998	Completion of Merchandise Mart properties acquisition and financial statements and pro forma in connection therewith	April 8, 1998
April 1, 1998	Amendment to Merchandise Mart properties Form 8-K	April 9, 1998
April 9, 1998	Issuance and sale of 10,000,000 common shares	April 16, 1998
April 22, 1998	Increase in authorized shares and underwriting agreement for sale of 1,132,420 common shares	April 28, 1998
June 2, 1998	Agreement to acquire 888 Seventh Avenue and 40 Fulton Street	June 11, 1998

SIGNATURES

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

VORNADO REALTY L.P.

(Registrant)

Date: August 6, 1998

/s/ Irwin Goldberg

IRWIN GOLDBERG
Vice President - Chief Financial Officer and Chief Accounting Officer

EXHIBIT INDEX

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      EXHIBIT NO.
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        27            Financial Data Schedule.
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Section 2: EX-27 (FINANCIAL DATA SCHEDULE)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
OPERATING PARTNERSHIP'S UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
STATEMENTS.


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       -END>                              JUN-30-1998
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