

ALEXANDERS INC
Form 10-K
February 25, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

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

For the Fiscal Year Ended: **December 31, 2007**

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: **001-6064**

ALEXANDER S, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

210 Route 4 East, Paramus, New Jersey
(Address of principal executive offices)

Registrant's telephone number, including area code

51-0100517
(IRS Employer

Identification No.)

07652
(Zip Code)

(201) 587-8541

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1 par value per share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Exchange Act.

YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act.

YES NO

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

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

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer (do not check if smaller reporting company) Smaller Reporting Company

Indicate by check mark if whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant, (i.e., by persons other than officers and directors of Alexander's, Inc.) was \$812,669,435 at June 30, 2007

As of February 1, 2008 there were 5,043,950 of the registrant's common shares of beneficial interest outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2008.

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(1) These items are omitted in part or in whole because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission no later than 120 days after December 31, 2007, portions of which are incorporated by reference herein. See "Executive Officers of the Registrant" on page 19 of this Annual Report on Form 10-K for information relating to executive officers.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Our future results, financial condition, results of operations and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as approximates, believes, expects, anticipates, estimates, intends, plans, would, may or other similar expressions in this Annual Report on Form 10-K. We also note the following forward-looking statements: in the case of our development projects, the estimated completion date, estimated project costs and costs to complete. These forward-looking statements represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. For a further discussion of factors that could materially affect the outcome of our forward-looking statements, see Item 1A - Risk Factors in this Annual Report on Form 10-K.

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 the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or the date of any 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 Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

GENERAL

Alexander s, Inc. is a real estate investment trust (REIT), incorporated in Delaware, engaged in leasing, managing, developing and redeveloping its properties. All references to we, us, our, Company and Alexander s refer to Alexander s, Inc. and its consolidated subsidiaries (NYSE:). We are managed by, and our properties are leased and developed by, Vornado Realty Trust (Vornado) (NYSE: VNO).

We have seven properties in the greater New York City metropolitan area consisting of:

Operating properties

- (i) the 731 Lexington Avenue property, a 1,307,000 square foot multi-use building which comprises the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street in Manhattan, New York. The building contains 885,000 and 174,000 of net rentable square feet of office and retail space, respectively, which we own, and 248,000 square feet of residential space consisting of 105 condominium units, which we sold. The building is 100% leased. Principal office tenants include Bloomberg L.P. (697,000 square feet) and Citibank N.A. (176,000 square feet). Principal retail tenants include The Home Depot (83,000 square feet), The Container Store (34,000 square feet) and Hennes & Mauritz (27,000 square feet);
- (ii) the Kings Plaza Regional Shopping Center, located on Flatbush Avenue in Brooklyn, New York, which contains 1,098,000 square feet that is 94% leased and is comprised of a two-level mall containing 470,000 square feet, a 289,000 square foot Sears department store and a 339,000 square foot Macy s department store, which is owned by Macy s, Inc.;
- (iii) the Rego Park I property, located on Queens Boulevard and 63rd Road in Queens, New York, which contains 351,000 square feet and is 100% leased to Sears, Circuit City, Bed Bath & Beyond, Marshalls and Old Navy;
- (iv) the Paramus property, which consists of 30.3 acres of land located at the intersection of Routes 4 and 17 in Paramus, New Jersey, which is leased to IKEA Property, Inc.;
- (v) the Flushing property, located at Roosevelt Avenue and Main Street in Queens, New York, which contains a 177,000 square foot building that is currently vacant;

Property under development

- (vi) the Rego Park II property, containing approximately 6.6 acres of land adjacent to our Rego Park I property in Queens, New York, which comprises the entire square block bounded by the Horace Harding Service Road (of the Long Island Expressway), 97th Street, 62nd Drive and Junction Boulevard. The development at Rego Park II consists of a 600,000 square foot shopping center on four levels and a parking deck containing approximately 1,400 spaces. Construction has commenced, is expected to be completed in 2009 and estimated to cost approximately \$410,000,000, of which \$156,700,000 has been expended as of December 31, 2007. The development may also include an apartment tower containing 315 apartments.

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On December 21, 2007, we obtained a construction loan providing up to \$350,000,000 to finance the construction of the shopping center. The loan has an interest rate of LIBOR plus 1.20% (6.13% at December 31, 2007), and a term of three years with a one-year extension option. The shopping center will be anchored by a 134,000 square foot Century 21 department store, a 138,000 square foot Home Depot and 132,000 square foot Kohl s.

There can be no assurance that this project will be completed, completed on time, or completed for the budgeted amount;

Property to be developed

- (vii) the Rego Park III property, containing approximately 3.4 acres of land adjacent to our Rego Park II property in Queens, New York, which comprises a one-quarter square block at the intersection of Junction Boulevard and the Horace Harding Service Road.

Significant Tenants

Bloomberg L.P. accounted for 32%, 34% and 34% of our consolidated revenues in the years ended December 31, 2007, 2006 and 2005, respectively. No other tenant accounted for more than 10% of revenues in any of the last three years.

Relationship with Vornado

At December 31, 2007, Vornado owned 32.8% of our outstanding common stock. Steven Roth is the Chairman of our Board of Directors and our Chief Executive Officer, the Managing General Partner of Interstate Properties (Interstate), a New Jersey general partnership, and the Chairman of the Board of Trustees and Chief Executive Officer of Vornado. At December 31, 2007, Mr. Roth, Interstate and its other two general partners, David Mandelbaum and Russell B. Wight, Jr. (who are also directors of the Company and trustees of Vornado) owned, in the aggregate, 27.2% of our outstanding common stock, in addition to the 2.7% they indirectly own through Vornado.

We are managed by, and our properties are leased and developed by, Vornado, pursuant to agreements which expire in March of each year and are automatically renewable. Vornado is a fully-integrated REIT with significant experience in managing, leasing, developing, and operating retail and office properties.

At December 31, 2007, we owed Vornado \$33,650,000 for leasing fees, \$5,726,000 for development fees and \$1,185,000 for management, property management and cleaning fees.

Environmental Matters

In July 2006, we discovered an oil spill at our Kings Plaza Regional Shopping Center. We have notified the New York State Department of Environmental Conservation (NYSDEC) about the spill and have developed a remediation plan. The NYSDEC has approved a portion of the remediation plan and clean up is ongoing. The estimated costs associated with the clean up will aggregate approximately \$2,500,000 and a claim has been made under our insurance policy, subject to our \$500,000 deductible which was accrued in 2006. Of this amount, \$426,000 has been paid as of December 31, 2007.

Competition

We operate in a highly competitive environment. All of our properties are located in the greater New York City metropolitan area. We compete with a large number of real estate property owners and developers. Principal factors of competition are the amount of rent charged, attractiveness of location and quality and breadth of services provided. Our success depends upon, among other factors, trends of national and local economies, the financial condition and operating results of current and prospective tenants, the availability and cost of capital, interest rates, construction and renovation costs, taxes, governmental regulations and legislation, population trends, zoning laws, and our ability to lease, sublease or sell our properties, at profitable levels. Our success is also subject to our ability to refinance existing debt as it comes due and on acceptable terms.

Employees

We currently have 99 employees.

Executive Office

Our principal executive office is located at 210 Route 4 East, Paramus, New Jersey, 07652 and our telephone number is (201) 587-8541.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports, as well as Reports on Forms 3, 4 and 5 regarding officers, directors, and 10% beneficial owners filed or furnished pursuant to Section 13(a), 15(d) or 16(a) of the Securities Exchange Act of 1934, are available free of charge on our website (www.alx-inc.com) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). We also have made available on our website, copies of our (i) Audit Committee charter, (ii) Compensation Committee Charter, (iii) Code of Business Conduct and Ethics and (iv) Corporate Governance Guidelines. In the event of any changes to these items, revised copies will be made available on our website. Copies of these documents are also available directly from us, free of charge.

On April 11, 2000, Vornado and Interstate filed with the SEC, the 26th amendment to a Form 13D indicating that they, as a group, own in excess of 51% of our common stock. This ownership level makes us a controlled company for the purposes of the New York Stock Exchange, Inc.'s Corporate Governance Standards (the NYSE Rules). This means that we are not required to, among other things, have a majority of the members of our Board of Directors be independent under the NYSE Rules, have all of the members of our Compensation Committee be independent under the NYSE Rules or to have a Nominating Committee. While we have voluntarily complied with a majority of the independence requirements of the NYSE Rules, we are under no obligation to do so and this situation may change at anytime.

ITEM 1A. RISK FACTORS

Material factors that may adversely affect our business and operations are summarized below.

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 and users such as customers and shoppers 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 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 and/or occupancy levels decline, we generally would expect to have less cash available to pay our indebtedness and distribute to our stockholders. In addition, some of our major expenses, including mortgage payments, real estate taxes and maintenance costs, generally do not decline when the related rents decline.

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

Our financial results depend significantly on leasing space in our properties to tenants on economically favorable terms. In addition, because a majority of our income is derived from renting real property, our income, funds available to pay indebtedness and funds available for distribution to our stockholders will decrease if a significant number of our tenants cannot pay their rent or if we are not able to maintain our

level of occupancy on favorable terms. If a tenant does not pay its rent, we might not be able to enforce our rights as landlord without delays and might incur substantial legal and other costs.

Bankruptcy or insolvency of tenants may decrease our revenues, net income and available cash.

From time to time, some of our tenants have declared bankruptcy, and other tenants may declare bankruptcy or become insolvent in the future. If a major tenant declares bankruptcy or becomes insolvent, the rental property at which it leases space may have lower revenues and operational difficulties. In the case of our shopping centers, the bankruptcy or insolvency of a major tenant could cause us to 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 net income and funds available for the payment of our indebtedness or distribution to our stockholders.

Some of our tenants represent a significant portion of our revenues. Loss of these tenant relationships or deterioration in the tenants' credit quality could adversely affect results.

Bloomberg L.P. accounted for 32%, 34% and 34% of our consolidated revenues in the years ended December 31, 2007, 2006 and 2005, respectively. If we fail to maintain a relationship with any of our significant tenants or fail to perform our obligations under agreements with these tenants, or if any of these tenants fail or become unable to perform their obligations under the agreements, we expect that any one or more of these events would adversely affect our results of operations and financial condition.

Inflation may adversely affect our financial condition and results of operations.

Although inflation has not materially impacted our operations in the recent past, increased inflation could have a pronounced negative impact on our mortgage and debt interest and general and administrative expenses as these costs could increase at rates higher than our rents. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our overage rents, where applicable.

Real estate is a competitive business.

We operate in a highly competitive environment. All of our properties are located in the greater New York City metropolitan area. We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents 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 national and local economies, the 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 some 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 such 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 are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. 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 human exposure at or from our properties.

Each of our properties has been subjected to varying degrees of environmental assessment at various times. Except as referenced below, the environmental assessments did not, as of the date of this Annual Report on Form 10-K, 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.

In July 2006, we discovered an oil spill at our Kings Plaza Regional Shopping Center. We have notified the NYSDEC about the spill and have developed a remediation plan. The NYSDEC has approved a portion of the remediation plan and clean up is ongoing. The estimated costs associated with the clean up will aggregate approximately \$2,500,000 and a claim has been made under our insurance policy, subject to our

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\$500,000 deductible which was accrued in 2006. Of this amount, \$426,000 has been paid as of December 31, 2007.

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

We carry commercial liability and all risk property insurance for (i) fire, (ii) flood, (iii) rental loss, (iv) extended coverage, and (v) acts of terrorism, as defined in the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2007, which expires in 2014, with respect to our assets, with limits of (i) \$965,000,000 per occurrence, including terrorist acts, as defined, for our 731 Lexington Avenue property, and (ii) \$500,000,000 per occurrence, including terrorist acts, as defined, for our other properties. To the extent that we incur losses in excess of our insurance coverage, these losses would be borne by us and could be material.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for the purposes of 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.

Compliance or failure to comply with the Americans with Disabilities Act or other safety regulations and requirements could result in substantial costs.

The Americans with Disabilities Act generally requires that public buildings, including our properties, be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to our stockholders.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

OUR INVESTMENTS ARE CONCENTRATED IN THE GREATER NEW YORK CITY METROPOLITAN AREA. CIRCUMSTANCES AFFECTING THIS AREA GENERALLY COULD ADVERSELY AFFECT OUR BUSINESS.

All of our properties are in the greater New York City metropolitan area and are affected by the economic cycles and risks inherent in that area.

During the years ended December 31, 2007, 2006 and 2005, all of our revenues came from properties located in the greater New York City metropolitan area. Like other real estate markets, the real estate market in this area has experienced economic downturns in the past, and we cannot predict how economic conditions will impact this market in either the short or long term. Declines in the economy or a decline in the real estate market in this area could hurt the value of our properties and our financial performance. The factors affecting economic conditions in this region include:

- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries;
- infrastructure quality; and

any oversupply of, or reduced demand for, real estate.

It is impossible for us to assess the future effects of the current uncertain trends in the economic and investment climates of the greater New York City metropolitan region, and more generally of the United States, on the real estate market in this area. If these conditions persist, or if there is any local, national or global economic downturn, our businesses and future profitability may be adversely affected.

We are subject to risks that affect the general retail environment.

A substantial proportion of our properties are in the retail shopping center real estate market. This means that we are subject to factors that affect the retail environment generally, including the level of consumer spending and consumer confidence, the threat of terrorism and increasing competition from discount retailers, outlet malls, retail websites and catalog companies. These factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our shopping centers.

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

All of our properties are located in the greater New York City metropolitan area. In the aftermath of a terrorist attack, tenants in this area may choose to relocate their businesses to less populated, lower-profile areas of the United States that are not as likely to be targets of future terrorist activity and fewer customers may choose to patronize businesses in this area. This would trigger a decrease in the demand for space in these markets, 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 may acquire or develop properties and this may create risks.

Although our stated business strategy is not to engage in acquisitions, we may acquire or develop properties when we believe that an acquisition or development project is otherwise consistent with our business strategy. We may not, however, succeed in consummating desired acquisitions or in completing developments on time or within budget. In addition, we may face competition in pursuing acquisition or development opportunities that could increase our costs. When we do pursue a project or acquisition, we 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. Acquisitions or developments in new markets or industries where we do not have the same level of market knowledge may result in poorer than anticipated performance. We may abandon acquisition or development opportunities that we have begun pursuing and consequently fail to recover expenses already incurred and have devoted management time to a matter not consummated.

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. Moreover, our ability to buy, sell, or finance real estate assets may be adversely affected during periods of uncertainty or unfavorable conditions in the credit markets as we, or potential buyers of our assets, may experience difficulty in obtaining financing.

OUR ORGANIZATIONAL AND FINANCIAL STRUCTURE GIVES RISE TO OPERATIONAL AND FINANCIAL RISKS.

We depend on dividends and distributions from our direct and indirect subsidiaries. The creditors of these subsidiaries are entitled to amounts payable to them by the subsidiaries before the subsidiaries may pay any dividends or distributions to us.

Substantially all of our properties and assets are held through subsidiaries. We depend on cash distributions and dividends from our subsidiaries for substantially all of our cash flow. The creditors of each of our direct and indirect subsidiaries are entitled to payment of that subsidiary's obligations to them when due, and payable before that subsidiary may make distributions or dividends to us. Thus, our ability to pay dividends, if any, to our security holders depends on our subsidiaries' ability to first satisfy their obligations to their creditors and our ability to satisfy our obligations, if any, to our creditors.

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In addition, our participation in any distribution of the assets of any of our 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 applicable direct or indirect subsidiaries are satisfied.

Our existing financing documents contain covenants and restrictions that may restrict our operational and financial flexibility.

At December 31, 2007, substantially all of the individual properties we own were encumbered by mortgages. These mortgages contain covenants that limit our ability to incur additional indebtedness on these properties, provide for lender approval of tenants' leases in certain circumstances, and provide for yield maintenance or defeasance premiums to prepay them. These mortgages may significantly restrict our operational and financial flexibility. In addition, if we were to fail to perform our obligations under existing indebtedness or become insolvent or were liquidated, secured creditors would be entitled to payment in full from the proceeds of the sale of the pledged assets prior to any proceeds being paid to other creditors or to any holders of our securities. In such an event, it is possible that we would have insufficient assets remaining to make payments to other creditors or to any holders of our securities.

We have indebtedness, and this indebtedness and the cost to service it, may increase.

As of December 31, 2007, we had approximately \$1,110,197,000 in total debt outstanding. Our ratio of total debt to total enterprise value was 47.6% at December 31, 2007. Enterprise value means the market equity value of our common stock, plus debt, less cash and cash equivalents at such date. In addition, we have significant debt service obligations. For the year ended December 31, 2007, our scheduled cash payments for principal and interest were \$78,927,000. In the future, we may incur additional debt, and thus increase the ratio of total debt to total enterprise value. If our level of indebtedness increases, there may be an increased risk of default that could adversely affect our financial condition and results of operations. In addition, in a rising interest rate environment, the cost of refinancing our existing debt and any new debt or market rate security or instrument may increase.

We have issued outstanding and exercisable stock appreciation rights. The exercise of these stock appreciation rights may impact our liquidity.

As of December 31, 2007, we had 500,000 stock appreciation rights (SARs) that were outstanding and exercisable. These SARs have a weighted-average exercise price of \$70.38 and are scheduled to expire on March 4, 2009. Since the SARs agreements require that they be settled in cash, we would have had to pay \$141,437,000 to the holders of these SARs had they exercised their SARs on December 31, 2007. Any change in our stock price from the closing price of \$353.25 at December 31, 2007 would increase or decrease the amount we would have to pay upon exercise.

We might fail to qualify or remain qualified as a REIT, and may be required to pay income taxes at corporate rates.

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. Qualification as a REIT for federal income tax purposes is governed by highly technical and complex provisions of the Internal Revenue Code (the Code) for which there are only limited judicial or administrative interpretations. 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.

In order to qualify and maintain our qualification as a REIT for federal income tax purposes, we are required, among other conditions, to distribute as dividends to our stockholders, at least 90% of annual REIT taxable income. As of December 31, 2007, we had reported net operating loss carryovers (NOLs) of \$1,597,000, which generally would be available to offset the amount of REIT taxable income that we otherwise would be required to distribute. However, the NOLs reported on the tax returns are not binding on the Internal Revenue Service and are subject to adjustment as a result of future audits. In addition, under Section 382 of the Code, the ability to use our NOLs could be limited if, generally, there are significant changes in the ownership of our outstanding stock. Since our reorganization as a REIT commencing in 1995, we have not paid regular dividends and do not believe that we will be required to, and may not, pay regular dividends until the NOLs have been fully utilized.

We face possible adverse changes in tax laws.

From time to time changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. The shortfall in tax revenues for states and municipalities in recent years may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income. These increased tax costs could adversely affect our financial condition and results of operations and the amount of cash available for payment of dividends.

Loss of our key personnel could harm our operations and adversely affect the value of our common stock.

We are dependent on the efforts of Steven Roth, our Chief Executive Officer, and Michael D. Fascitelli, our President. 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 stock.

ALEXANDER S CHARTER DOCUMENTS AND APPLICABLE LAW MAY HINDER ANY ATTEMPT TO ACQUIRE US.

Provisions in Alexander s certificate of incorporation and by laws, as well as provisions of the Code and Delaware corporate law, may delay or prevent a change in control of the Company or a tender offer, even if such action might be beneficial to stockholders, and limit the stockholders opportunity to receive a potential premium for their shares of common stock over then prevailing market prices.

Primarily to facilitate maintenance of its qualification as a REIT, Alexander s certificate of incorporation generally prohibits ownership, directly, indirectly or beneficially, by any single stockholder of more than 9.9% of the outstanding shares of preferred stock of any class or 4.9% of outstanding common stock of any class. The Board of Directors may waive or modify these ownership limits with respect to one or more persons if it is satisfied that ownership in excess of these limits will not jeopardize Alexander s status as a REIT for federal income tax purposes. In addition, the Board of Directors has, subject to certain conditions and limitations, exempted Vornado and certain of its affiliates from these ownership limitations. Stocks owned in violation of these ownership limits will be subject to the loss of rights and other restrictions. These ownership limits may have the effect of inhibiting or impeding a change in control.

Alexander s Board of Directors is divided into three classes of directors. Directors of each class are chosen for three-year staggered terms. Staggered terms of directors may have the effect of delaying or preventing changes in control or management, even though changes in management or a change in control might be in the best interest of our stockholders.

In addition, Alexander s charter documents authorize the Board of Directors to:

- cause Alexander s to issue additional authorized but unissued common stock or preferred stock;
- classify or reclassify, in one or more series, any unissued preferred stock;
- set the preferences, rights and other terms of any classified or reclassified stock that Alexander s issues; and
- increase, without stockholder approval, the number of shares of beneficial interest that Alexander s may issue.

The Board of Directors could establish a series of preferred stock with terms that could delay, deter or prevent a change in control of Alexander s or other transaction that might involve a premium price or otherwise be in the best interest of our stockholders, although the Board of Directors does not, at present, intend to establish a series of preferred stock of this kind. Alexander s charter documents contain other provisions that may delay, deter or prevent a change in control of the Company or other transaction that might involve a premium price or otherwise be in the best interest of our stockholders.

In addition, Vornado and Interstate (the three general partners of which are both trustees of Vornado and Directors of Alexander's) together beneficially own approximately 60.0% of our outstanding shares of common stock. This degree of ownership may also reduce the possibility of a tender offer or an attempt to change control of the Company.

We may change our policies without obtaining the approval of our stockholders.

Our operating and financial policies, including our policies with respect to acquisitions of real estate or other assets, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by our Board of Directors. Accordingly, our stockholders do not control these policies.

OUR OWNERSHIP STRUCTURE AND RELATED-PARTY TRANSACTIONS MAY GIVE RISE TO CONFLICTS OF INTEREST.

Steven Roth, Vornado and Interstate may exercise substantial influence over us. They and some of our other directors and officers have interests or positions in other entities that may compete with us.

At December 31, 2007, Interstate and its partners owned approximately 8.3% of the common shares of beneficial interest of Vornado and approximately 27.2% of our outstanding common stock. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the partners of Interstate. Mr. Roth is the Chairman of our Board of Directors and Chief Executive Officer, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado and the Managing General Partner of Interstate. Mr. Wight and Mr. Mandelbaum are both trustees of Vornado and members of our Board of Directors. In addition, Vornado manages and leases the real estate assets of Interstate.

At December 31, 2007, Vornado owned 32.8% of our outstanding common stock, in addition to the 27.2% owned by Interstate and its partners. In addition to the relationships described in the immediately preceding paragraph, Michael D. Fascitelli, the President and a trustee of Vornado, is our President and a member of our Board of Directors. Richard West is a trustee of Vornado and a member of our Board of Directors. In addition, Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same positions with Vornado.

Because of their overlapping interests, Vornado, Mr. Roth, Interstate and the other individuals noted in the preceding paragraphs may have substantial influence over Alexander's, and on the outcome of any matters submitted to Alexander's stockholders for approval. In addition, certain decisions concerning our operations or financial structure may present conflicts of interest among Vornado, Messrs. Roth, Mandelbaum and Wight and Interstate and other security holders. Vornado, Mr. Roth and Interstate may, in the future, engage in a wide variety of activities in the real estate business which may result in conflicts of interest with respect to matters affecting us, 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, competition for properties and tenants, possible corporate transactions such as acquisitions, and other strategic decisions affecting the future of these entities.

There may be conflicts of interest between Vornado, its affiliates and us.

Vornado manages, develops and leases our properties under agreements that have one-year terms expiring in March of each year, which are automatically renewable. Because we share common senior management with Vornado and because five of the trustees of Vornado also constitute the majority of our directors, the terms of the foregoing agreements and any future agreements may not be comparable to those we could have negotiated with an unaffiliated third party.

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

THE NUMBER OF SHARES OF ALEXANDER S COMMON STOCK AND THE MARKET FOR THOSE SHARES GIVE RISE TO VARIOUS RISKS.

Alexander s has available for issuance, shares of its common stock and outstanding and exercisable options to purchase its common stock. The issuance of this stock or the exercise of these options could decrease the market price of the shares of common stock currently outstanding.

As of December 31, 2007, we had authorized but unissued 4,826,550 shares of common stock, par value of \$1.00 per share and 3,000,000 shares of preferred stock, par value \$1.00 per share. In addition, as of December 31, 2007, 61,900 options were outstanding and exercisable at a weighted-average exercise price of \$70.38 and as of December 31, 2007, 500,000 SARs were outstanding and exercisable at a weighted-average exercise price of \$70.38. Additionally, 895,000 shares are available for future grant under the terms of our 2006 Omnibus Stock Plan. These awards may be granted in the form of options, restricted stock, SARs or other equity-based interests, and if granted, would reduce that number of shares available for future grant, provided however that an award that may be settled only in cash, would not reduce the number of shares available under the plan. We cannot predict the impact that future issuances of common or preferred stock or any exercise of outstanding options or grants of additional equity-based interests would have on the market price of our common stock.

Changes in market conditions could decrease the market price of our securities.

The value of our securities depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of our securities 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 and economic 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved comments from the staff of the Securities and Exchange Commission as of the date of this Annual Report on Form 10-K.

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ITEM 2. PROPERTIES

The following table shows the location, ownership, approximate size and leasing status of each of our properties as of December 31, 2007.

Property	Land Area	Building Area	Average Annualized Rent Per Square Foot	Percent Leased	Significant Tenants	Square Footage Leased	Lease Expiration/Option Expiration(s)
<u>Operating Properties:</u>							
731 Lexington Avenue New York, New York Office	84,420 sq.ft.	885,000	\$ 76.55	100%	Bloomberg L.P. Citibank N.A.	697,000 176,000	2030/2040 2016
Retail		174,000 1,059,000 ⁽¹⁾	\$ 141.76	100%	The Home Depot The Container Store Hennes & Mauritz	83,000 34,000 27,000	2025/2035 2021 2020
Kings Plaza Regional Shopping Center Brooklyn, New York	24.3 acres	759,000 ⁽²⁾	\$ 38.83	94%	Sears 123 Mall tenants Lowe's (ground lessee) Macy's ⁽³⁾	289,000 428,000 N/A	2023/2033 Various 2028/2053 N/A
Rego Park I Queens Boulevard and 63 rd Rd Queens, New York	4.8 acres	351,000 ⁽²⁾	\$ 33.94	100%	Sears Circuit City Bed Bath & Beyond Marshalls	195,000 50,000 46,000 39,000	2021/2031 2021 2013/2021 2021
Routes 4 and 17 Paramus, New Jersey	30.3 acres			100%	IKEA (ground lessee)		2041
Roosevelt Avenue and Main Street ⁽⁴⁾ Queens, New York	44,975 sq. ft.	177,000 ⁽²⁾					
<u>Property Under Development:</u>							
Rego Park II (600,000 square feet under development) Adjacent to Rego Park I Queens, New York	6.6 acres			67%			

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Home Depot	138,000
Century 21	134,000
Kohl s	132,000

Property to be Developed:

Rego Park III

Adjacent to Rego Park II

Queens, New York

3.4 acres

2,346,000

- (1) Excludes 248,000 square feet of residential space consisting of 105 condominium units, which were sold.
- (2) Excludes parking garages.
- (3) Owned by Macy s, Inc.
- (4) Ground leased through January 2037.

For details of encumbrances, see descriptions of properties which follows.

Operating Properties731 Lexington Avenue

The 731 Lexington Avenue property which comprises the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street, is situated in the heart of one of Manhattan's busiest business and shopping districts, with convenient access to several subway and bus lines. The property is located directly across the street from Bloomingdale's flagship store and only a few blocks away from Fifth Avenue and 57th Street.

731 Lexington Avenue is a 1,307,000 square foot multi-use building containing 885,000 and 174,000 of net rentable square feet of office and retail space, respectively, which we own, and 248,000 square feet of residential space consisting of 105 condominium units, which we sold. The building is 100% leased. Principal office tenants include Bloomberg L.P. (697,000 square feet) and Citibank N.A. (176,000 square feet). Principal retail tenants include The Home Depot (83,000 square feet), The Container Store (34,000 square feet) and Hennes & Mauritz (27,000 square feet).

The office and retail spaces are encumbered by first mortgage loans with balances of \$383,670,000 and \$320,000,000, respectively, as of December 31, 2007. Such loans mature in February 2014 and July 2015 and bear interest at 5.33% and 4.93%, respectively.

Kings Plaza Regional Shopping Center

The Kings Plaza Regional Shopping Center (the Center) contains 1,098,000 square feet that is 94% leased and is comprised of a two-level mall (the Mall) containing 470,000 square feet and two four-level anchor stores. One of the anchor stores is owned by Macy's, Inc. and operated as a Macy's store. The Center occupies an 18.5 acre site at the intersection of Flatbush Avenue and Avenue U in Brooklyn, New York. Among the Center's features are a marina, a five-level parking garage and an energy plant that generates electrical power at the Center.

We have leased approximately 5.8 acres of land adjacent to the Center to Lowe's Home Improvement Warehouse (Lowe's) for a 20-year term with five 5-year renewal options. The ground lease commenced on February 26, 2007.

The following table sets forth lease expirations for the Mall tenants in the Center as of December 31, 2007, for each of the next ten years, assuming none of the tenants exercise their renewal options.

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Annual Rent of Expiring Leases		Percent of Total Leased Square Feet	Percent of 2007 Gross Annual Rentals
			Total	Per Square Foot		
Month to month	12	95,135	\$3,059,271	\$32.16	22.2%	12.8%
2008	4	16,790	594,806	35.43	3.9%	2.5%
2009	11	32,141	1,994,385	62.05	7.5%	8.3%
2010	13	20,442	1,803,243	88.21	4.8%	7.5%
2011	14	36,867	2,509,490	68.07	8.6%	10.5%
2012	11	37,108	2,102,894	56.67	8.7%	8.8%
2013	11	38,219	2,439,906	63.84	8.9%	10.2%
2014	7	42,400	2,557,524	60.32	9.9%	10.7%
2015	5	11,385	576,180	50.61	2.7%	2.4%

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2016	8	26,571	1,762,085	66.32	6.2%	7.4%
2017	12	45,327	2,865,955	63.23	10.6%	12.0%
2018	7	25,597	1,681,051	65.67	6.0%	7.0%

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The following table sets forth the occupancy rate and the average annual rent per square foot for the Mall stores for each of the past five years.

As of December 31,	Occupancy Rate	Average Annual Base Rent Per Square Foot
2007	94%	\$ 55.95
2006	94%	52.78
2005	96%	51.15
2004	97%	49.65
2003	98%	47.95

The Center is encumbered by a first mortgage loan with a balance of \$203,456,000 at December 31, 2007. The loan matures in June 2011 and bears interest at 7.46%.

Rego Park I

The Rego Park I property, located in Queens, New York, encompasses the entire block fronting on Queens Boulevard and bounded by 63rd Road, 62nd Drive, 97th Street and Junction Boulevard. The existing 351,000 square foot building was redeveloped in 1996 and is 100% leased to Sears, Circuit City, Bed Bath & Beyond, Marshalls and Old Navy. In conjunction with the redevelopment, a multi-level parking structure was constructed and provides paid parking spaces for approximately 1,200 vehicles.

The property is encumbered by a first mortgage loan with a balance of \$79,285,000 at December 31, 2007. The loan matures in June 2009 and bears interest at 7.25%.

Paramus

We own 30.3 acres of land located at the intersection of Routes 4 and 17 in Paramus, New Jersey. The property is located directly across from the Garden State Plaza regional shopping mall and is within two miles of three other regional shopping malls and ten miles of New York City. This land is leased to IKEA Property, Inc. The lease has a 40-year term expiring in 2041, with a purchase option in 2021 for \$75,000,000. We have a \$68,000,000 interest only, non-recourse mortgage loan on the property from a third-party lender. The fixed interest rate on the debt is 5.92% with interest payable monthly until maturity in October 2011. The annual triple-net rent is the sum of \$700,000 plus the amount of debt service on the mortgage loan. If the purchase option is exercised, we will receive net cash proceeds of approximately \$7,000,000 and recognize a net gain on the sale of the land of approximately \$62,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years must include debt service sufficient to fully amortize \$68,000,000 over the remaining 20-year lease term.

Flushing

The Flushing property is located on Roosevelt Avenue and Main Street in the downtown, commercial section of Flushing, Queens, New York. Roosevelt Avenue and Main Street are active shopping districts and there are many national retailers located in the area. A subway entrance is located directly in front of the property with bus service across the street. The property comprises a vacant four-floor building containing 177,000 square feet and a parking garage.

In the fourth quarter of 2003, we recognized \$1,289,000 of income representing a non-refundable purchase deposit of \$1,875,000, net of \$586,000 of costs associated with the transaction, from a party that agreed to purchase this property, as such party had not met its obligations under a May 30, 2002 purchase contract. On September 10, 2002, November 7, 2002, and July 8, 2004, we received letters from the party demanding return of the deposit. On December 28, 2005, the party filed a complaint against us in the Supreme Court of the State of New York

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alleging that we failed to honor the terms and conditions of the agreement. The complaint seeks specific performance and, if specific performance is denied, it seeks the return of the deposit plus interest and \$50,000 in costs. Pursuant to discussions with our legal counsel, we do not believe the party is entitled to either specific performance or a return of the deposit and we are defending against the action.

We are currently in negotiations with various retailers to lease all or a portion of the property.

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Property Under Development

Rego Park II

We own approximately 6.6 acres of land adjacent to our Rego Park I property in Queens, New York, which comprises the entire square block bounded by the Horace Harding Service Road (of the Long Island Expressway), 97th Street, 62nd Drive and Junction Boulevard.

The development at Rego Park II consists of a 600,000 square foot shopping center on four levels and a parking deck containing approximately 1,400 spaces. Construction has commenced, is expected to be completed in 2009 and estimated to cost approximately \$410,000,000, of which \$156,700,000 has been expended as of December 31, 2007. The development may also include an apartment tower containing 315 apartments.

On December 21, 2007, we obtained a construction loan providing up to \$350,000,000 to finance the construction of the shopping center. The loan has an interest rate of LIBOR plus 1.20% (6.13% at December 31, 2007), and a term of three years with a one-year extension option. As of December 31, 2007, we have borrowed \$55,786,000 under the construction loan. The shopping center will be anchored by a 134,000 square foot Century 21 department store, a 138,000 square foot Home Depot and a 132,000 square foot Kohl's.

There can be no assurance that this project will be completed, completed on time, or completed for the budgeted amount.

Property to be Developed

Rego Park III

We own approximately 3.4 acres of land adjacent to our Rego Park II property in Queens, New York, which comprises a one-quarter square block and is located at the intersection of Junction Boulevard and the Horace Harding Service Road.

The land is currently being used for public paid parking and while the current plans for the development of this parcel are preliminary, it may include up to 80,000 square feet of retail space. There can be no assurance that this project will commence, be completed, completed on time or completed for the budgeted amount.

Insurance

We carry commercial liability and all risk property insurance for (i) fire, (ii) flood, (iii) rental loss, (iv) extended coverage, and (v) acts of terrorism, as defined in the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2007, which expires in 2014, with respect to our assets, with limits of (i) \$965,000,000 per occurrence, including terrorist acts, as defined, for our 731 Lexington Avenue property, and (ii) \$500,000,000 per occurrence, including terrorist acts, as defined, for our other properties. To the extent that we incur losses in excess of our insurance coverage, these losses would be borne by us and could be material.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for the purposes of 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.

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ITEM 3. LEGAL PROCEEDINGS

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with our legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flows.

For a discussion of the litigation concerning our Flushing, New York, property, see Item 2. Properties Operating Properties Flushing.

For discussion concerning environmental matters, see Item 1. Business Environmental Matters.

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

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2007.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a list of the names, ages, principal occupations and positions with us of our executive officers and the positions held by such officers during the past five years.

Name	Age	PRINCIPAL OCCUPATION, POSITION AND OFFICE (Current and during past five years with the Company unless otherwise stated)
Steven Roth	66	Chairman of the Board of Directors since May 2004 and Chief Executive Officer since March 1995; Chairman of the Board and Chief Executive Officer of Vornado Realty Trust since May 1989; Chairman of Vornado Realty Trust's Executive Committee of the Board since April 1980; a trustee of Vornado Realty Trust since 1979; and Managing General Partner of Interstate Properties.
Michael D. Fascitelli	51	President since August 2000; Director of the Company and President and trustee of Vornado Realty Trust since December 1996; Partner at Goldman Sachs & Co., in charge of its real estate practice, from December 1992 to December 1996; and, prior thereto, Vice President at Goldman Sachs & Co.
Joseph Macnow	62	Executive Vice President and Chief Financial Officer since June 2002; Executive Vice President Finance and Administration from March 2001 to June 2002; Vice President and Chief Financial Officer from August 1995 to March 2001; Executive Vice President Finance and Administration of Vornado Realty Trust since January 1998 and Chief Financial Officer of Vornado Realty Trust since March 2001; and Vice President and Chief Financial Officer of Vornado Realty Trust from 1985 to January 1998.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is listed on the New York Stock Exchange under the symbol ALX. Set forth below are the high and low sales prices for the shares of our common stock for each full quarterly period within the two most recent years.

Quarter	Year Ended December 31,			
	2007 High	Low	2006 High	Low
First	\$ 471.00	\$ 372.00	\$ 289.00	\$ 234.59
Second	441.02	373.60	288.55	250.00
Third	425.00	330.00	314.25	256.63
Fourth	422.79	343.00	449.90	305.52

As of February 1, 2008, there were approximately 434 holders of record of our common stock. In order to qualify and maintain our qualification as a REIT, we are required, among other conditions, to distribute as dividends to our stockholders at least 90% of annual REIT taxable income. As of December 31, 2007 and 2006, we had Net Operating Loss Carryovers (NOLs) of approximately \$1,597,000 and \$2,001,000, respectively, which generally would be available to offset the amount of REIT taxable income that otherwise would be required to be distributed as a dividend to our stockholders. Accordingly, no dividends were paid in 2007 and 2006.

Recent Sales of Unregistered Securities

During 2007, we did not sell any unregistered securities.

Recent Purchases of Equity Securities

During the fourth quarter of 2007, we did not repurchase any of our equity securities.

Performance Graph

The following graph is a comparison of the five-year cumulative return of our common stock, the Standard & Poor's 500 Index (the S&P 500 Index) and the National Association of Real Estate Investment Trusts (NAREIT) All Equity Index (excluding health care real estate investment trusts), a peer group index. The graph assumes that \$100 was invested on December 31, 2002 in our common stock, the S&P 500 Index and the NAREIT All Equity Index and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our stock will continue in line with the same or similar trends depicted in the graph below.

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Alexander's	100	193	333	380	650	547
S&P 500 Index	100	129	143	150	173	183
The NAREIT All Equity Index	100	137	180	202	273	230

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating data. This data should be read in conjunction with the consolidated financial statements and notes thereto and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K. This data may not be comparable to, or indicative of, future operating results.

(Amounts in thousands, except per share data)	Year Ended December 31,				
	2007	2006	2005	2004	2003
Total revenues	\$ 207,980	\$ 198,772	\$ 187,085	\$ 148,895	\$ 87,162
Income (loss) before discontinued operations and net gain on sale of condominiums and other real estate	\$ 114,341	(1) \$ (88,239)	(1) \$ 21,298	(1) \$ (37,331)	(1) \$ (18,948)
Income from discontinued operations					1,206
Net gain on sale of condominiums in 2006 and 2005 and other real estate in 2004, after income taxes		13,256	60,943	3,862	
Net income (loss)	\$ 114,341	\$ (74,983)	\$ 82,241	\$ (33,469)	\$ (17,742)
Income (loss) per common share:					
Income (loss) per common share - basic	\$ 22.68	\$ (14.92)	\$ 16.38	\$ (6.68)	\$ (3.53)
Income (loss) per common share - diluted	\$ 22.44	\$ (14.92)	\$ 16.19	\$ (6.68)	\$ (3.53)
Balance sheet data:					
Total assets	\$ 1,532,410	\$ 1,447,242	\$ 1,403,317	\$ 1,244,801	\$ 920,996
Real estate, at cost	835,081	692,388	699,136	955,107	826,546
Accumulated depreciation and amortization	96,183	80,779	88,976	74,028	62,744
Debt	1,110,197	1,068,498	1,079,465	952,528	731,485
Stockholders' equity	135,103	27,182	101,324	18,368	50,923

(1) Includes a reversal of SARs compensation expense of \$43,536 in 2007 and accruals for SARs compensation expense of \$148,613, \$27,588, \$76,789 and \$44,917 in 2006, 2005, 2004 and 2003, respectively.

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

Overview

Alexander's, Inc. is a real estate investment trust (REIT) engaged in leasing, managing, developing and redeveloping properties. All references to we, us, our, Company, and Alexander's, refer to Alexander's, Inc. We are managed by, and our properties are leased and developed by, Vornado Realty Trust (Vornado). We have seven properties in the greater New York City metropolitan area including the 731 Lexington Avenue property, a 1,307,000 square foot multi-use building in Manhattan, and the Kings Plaza Regional Shopping Center located in Brooklyn.

We compete with a large number of real estate property owners and developers. Our success depends upon, among other factors, trends of national and local economies, the financial condition and operating results of current and prospective tenants, the availability and cost of capital, interest rates, construction and renovation costs, taxes, governmental regulations and legislation, population trends, zoning laws, and our ability to lease, sublease or sell our properties, at profitable levels. Our success is also subject to our ability to refinance existing debt as it comes due and on acceptable terms.

Beginning in the second half of 2007, the residential mortgage and capital markets began showing signs of stress, primarily in the form of escalating default rates on subprime mortgages and declining residential housing prices nationwide. This credit crisis spread to the broader commercial credit markets and has generally reduced the availability of financing and widened spreads. These factors, coupled with a slowing economy, may negatively impact the volume of real estate transactions and cap rates, which would negatively impact stock price performance of public real estate companies, including ours. Although our operating results were not negatively impacted by these conditions in 2007, if these conditions persist in 2008 and beyond, our real estate portfolio may experience lower occupancy and lower effective rents, which would result in a corresponding decrease in net income and funds from operations.

Year Ended December 31, 2007 Financial Results Summary

Net income for the year ended December 31, 2007 was \$114,341,000, or \$22.44 per diluted share, compared to a net loss of \$74,983,000, or \$14.92 per diluted share, for the year ended December 31, 2006. Funds from operations (FFO) for the year ended December 31, 2007 was \$136,284,000, or \$26.75 per diluted share, compared to negative FFO of \$53,242,000, or \$10.59 per diluted share, for the year ended December 31, 2006.

Net income and FFO for the year ended December 31, 2007 include \$43,536,000, or \$8.55 per diluted share, for the reversal of a portion of stock appreciation rights (SARs) compensation expense. Net loss and negative FFO for the year ended December 31, 2006 include \$148,613,000 for an accrual of SARs compensation expense, partially offset by a \$13,256,000 after-tax net gain from the sale of residential condominium units at 731 Lexington Avenue. The net of these items decreased net income and FFO by \$135,357,000, or \$26.92 per diluted share.

Rego Park Shopping Center

On December 21, 2007, we obtained a construction loan providing up to \$350,000,000 to finance the construction of our Rego Park II project, a development consisting of a 600,000 square foot shopping center on four levels and a parking deck containing approximately 1,400 spaces. The loan has an interest rate of LIBOR plus 1.20% (6.13% at December 31, 2007), and a term of three years with a one-year extension option. The shopping center will be anchored by a 134,000 square foot Century 21 department store, a 138,000 square foot Home Depot and a 132,000 square foot Kohl's.

Overview - Continued

Kings Plaza

We have leased approximately 5.8 acres of land adjacent to our Kings Plaza Regional Shopping Center, to Lowe's Home Improvement Warehouse (Lowe's) for a 20-year term with five 5-year renewal options. The ground lease commenced on February 26, 2007.

In March 2007, our consolidated joint venture, in which we have a 25% interest, completed the redevelopment of the energy plant that generates all of the electrical power at this property, for a total cost of approximately \$18,350,000. In connection with the development, we provided the joint venture with a \$15,350,000 loan (eliminated in consolidation).

Stock Appreciation Rights

On March 13, 2007, Michael Fascitelli, our President, exercised 350,000 of his existing SARs. These SARs were granted to him on January 10, 2006 and were scheduled to expire on March 14, 2007. He received \$144.18 for each SAR exercised, representing the difference between our stock price of \$388.01 (the average of the high and low market price) on the date of exercise and the exercise price of \$243.83.

Critical Accounting Policies and Estimates

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Set forth below is a summary of our accounting policies that we believe are critical to the preparation of our consolidated financial statements. This summary should be read in conjunction with a more complete discussion of our accounting policies included in Note 2 to the consolidated financial statements in this Annual Report on Form 10-K.

Real Estate

Real estate is carried at cost, net of accumulated depreciation and amortization. As of December 31, 2007 and 2006, the carrying amount of our real estate, net of accumulated depreciation, was \$738,898,000 and \$611,609,000, respectively. Depreciation is provided on a straight-line basis over the assets' estimated useful lives, which range from 7 to 50 years. Betterments, significant renewals and certain costs directly related to the acquisition, improvement and leasing of real estate are capitalized. Maintenance and repairs are charged to operations as incurred. As real estate is undergoing development activities, all property operating expenses, including interest expense, are capitalized to the cost of the real property to the extent that we believe such costs are recoverable through the value of the property. The recognition of depreciation expense requires estimates by us of the useful life of each property and improvement, as well as an allocation of the costs associated with a property to its various components. If we do not allocate these costs appropriately or incorrectly estimate the useful lives of our real estate, depreciation expense could be misstated.

Our properties are reviewed for impairment if events or circumstances change, indicating that the carrying amount of the property may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis to the carrying amount of the property. If we incorrectly estimate undiscounted cash flows, impairment charges may be different. The impact of such estimates in connection with future impairment analyses could be material to our consolidated financial statements. We had no impairment charges each of the three years ended December 31, 2007.

Allowance for Doubtful Accounts

We periodically evaluate the collectibility of amounts due from tenants and maintain an allowance for doubtful accounts (\$667,000 and \$481,000 as of December 31, 2007 and 2006, respectively) for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents, if necessary. This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. As of December 31, 2007 and 2006, we had no allowance for receivables arising from the straight lining of rents. We exercise judgment in establishing these allowances and consider payment history and current credit status in developing these estimates. These estimates may differ from actual results, which could be material to our consolidated financial statements.

Critical Accounting Policies and Estimates - Continued

Revenue Recognition

We have the following revenue sources and revenue recognition policies:

Base Rent (revenue arising from tenant leases) These rents are recognized over the non-cancelable term of the related leases on a straight-line basis, which includes the effects of rent steps and free rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.

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Percentage Rent (revenue arising from retail tenant leases that is contingent upon the sales of tenants exceeding defined thresholds)
These rents are recognized in accordance with Staff Accounting Bulletin No. 104, *Revenue Recognition*, which states that this contingent revenue is only to be recognized after the contingency has been removed (i.e., the sales threshold has been achieved).

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Expense Reimbursement (revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective properties) This revenue is accrued in the same periods as the expenses are incurred.

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Condominium Sales (income arising from the sales of condominium units at the Lexington Avenue property) Income on deposits received for sales of condominium units has been deferred in accordance with the deposit method of SFAS No. 66, *Accounting for Sales of Real Estate*. Gains on sales of condominium units are recognized under the percentage of completion method.

We assess, among other things, the collectibility of revenue before recognition. If we incorrectly assess collectibility of revenue, net earnings and assets could be misstated.

Stock Appreciation Rights

Stock Appreciation Rights (SARs) are granted at 100% of the market price of our common stock on the date of grant. Compensation expense for each SAR is measured by the excess of the stock price at the current balance sheet date over the stock price at the previous balance sheet date. If the stock price is lower at the current balance sheet date, previously recognized expense is reversed, but not below zero.

Income Taxes

We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). In order to maintain our qualification as a REIT, we are required, among other conditions, to distribute as dividends to our stockholders at least 90% of annual REIT taxable income. As of December 31, 2007 and 2006, we had net operating loss carryovers (NOLs) of approximately \$1,597,000 and \$2,001,000, respectively. Pursuant to the Code, our NOLs generally would be available to offset the amount of our REIT taxable income that would otherwise be required to be distributed as dividends to our stockholders. Accordingly, no dividends were paid in 2007 and 2006.

We have elected to treat our wholly owned subsidiary, 731 Residential LLC, as a taxable REIT subsidiary (TRS). The TRS is subject to income tax at regular corporate tax rates. Our NOLs will not be available to offset taxable income of TRS. In the years ended December 31, 2007 and 2006, we paid \$1,580,000 and \$12,558,000, respectively, for income taxes relating to the TRS. TRS deferred income taxes, where applicable, are accounted for in accordance with Statements of Financial Accounting Standards (SFAS) No. 109, *Accounting For Income Taxes* using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting basis of assets and liabilities and their respective tax basis and for operating loss and tax credit carryforwards based on enacted tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including tax planning strategies and other factors. As of December 31, 2007 and 2006, we had no deferred tax assets or liabilities on our consolidated balance sheets.

Recently Issued Accounting Literature

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 established new evaluation and measurement processes for all income tax positions taken. FIN 48 became effective on January 1, 2007. Upon the adoption of FIN 48 on January 1, 2007, we recognized a \$6,983,000 increase in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 balance of accumulated deficit.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for our financial assets and liabilities on January 1, 2008. The FASB has deferred the implementation of the provisions of SFAS No. 157 relating to certain nonfinancial assets and liabilities until January 1, 2009. SFAS No. 157 is not expected to materially affect how we determine fair value, but may result in certain additional disclosures.

In September 2006, the FASB issued SFAS No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of SFAS No. 87, 88, 106 and 132R*. SFAS No. 158 requires an employer to (i) recognize in its statement of financial position an asset for a plan's over funded status or a liability for a plan's under funded status; (ii) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions); and (iii) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income. The adoption of the requirement to recognize the funded status of a benefit plan and the disclosure requirements as of December 31, 2006, did not have any effect on our consolidated financial statements. The requirement to measure plan assets and benefit obligations to determine the funded status as of the end of the fiscal year and to recognize changes in the funded status in the year in which the changes occur is effective for fiscal years ending after December 15, 2008. The adoption of the measurement date provisions of this standard is not expected to have any effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS 159 permits companies to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for us on January 1, 2008. We have not elected the fair value option for any of our existing financial instruments on the effective date and have not determined whether or not we will elect this option for any eligible financial instruments we acquire in the future.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*. SFAS No. 141R broadens the guidance of SFAS No. 141, extending its applicability to all transactions and other events in which one entity obtains control over one or more other businesses. It broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations; and stipulates that acquisition related costs be expensed rather than included as part of the basis of the acquisition. SFAS No. 141R expands required disclosures to improve the ability to evaluate the nature and financial effects of business combinations. SFAS No. 141R is effective for all transactions entered into, on or after January 1, 2009. We do not believe that the adoption of this standard on January 1, 2009, will have a material effect on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51*. SFAS No. 160 requires a noncontrolling interest in a subsidiary to be reported as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest to be identified in the consolidated financial statements. SFAS No. 160 also calls for consistency in the manner of reporting changes in the parent's ownership interest and requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. SFAS No. 160 is effective on January 1, 2009. We are currently evaluating the impact SFAS No. 160 will have on our consolidated financial statements.

Results of Operations

Years Ended December 31, 2007 and December 31, 2006

We had net income of \$114,341,000 for the year ended December 31, 2007, compared to net loss of \$74,983,000, for the year ended December 31, 2006. Net income for 2007 includes \$43,536,000 for the reversal of a portion of stock appreciation rights (SARs) compensation expense. Net loss for the year ended December 31, 2006 includes \$148,613,000, for an accrual of SARs compensation expense, partially offset by a \$13,256,000 after-tax net gain from the sale of residential condominium units at 731 Lexington Avenue. The net of these items decreased net income by \$135,357,000.

Property Rentals

Property rentals were \$141,629,000 in 2007, compared to \$137,072,000 in 2006, an increase of \$4,557,000. This increase was primarily attributable to rents from tenants at 731 Lexington Avenue as a result of the lease-up of the remaining vacant space during the second half of 2006, as well as rent from the commencement of the Lowe's ground lease at Kings Plaza in February 2007.

Expense Reimbursements

Tenant expense reimbursements were \$66,351,000 in 2007, compared to \$61,700,000 in 2006, an increase of \$4,651,000. This increase resulted primarily from higher utility recoveries at Kings Plaza and real estate tax reimbursements in excess of expense recognized, from tenants at 731 Lexington Avenue, under leases that do not participate in a tax credit program.

Operating Expense

Operating expenses were \$70,496,000 in 2007, compared to \$71,980,000 in 2006, a decrease of \$1,484,000. This decrease was primarily due to \$2,108,000 of lower operating costs at our Kings Plaza energy plant, due to start-up expenses and an oil spill in the prior year, partially offset by higher costs for repairs and maintenance.

General and Administrative

Excluding \$43,536,000 for the reversal of a portion of SARs compensation expense in 2007 and \$148,613,000 for an accrual of SARs compensation expense in 2006, general and administrative expenses were lower by \$1,034,000 in the current year. This decrease resulted primarily from organization costs incurred in the prior year in connection with forming the Kings Plaza energy plant joint venture.

Interest and Other Income, net

Interest and other income, net was \$27,351,000 in 2007, compared to \$28,257,000 in 2006, a decrease of \$906,000. This decrease resulted primarily from lower average cash balances of \$42,200,000 at an average yield of 4.6%, partially offset by a net gain from the sale of certain emission reduction credits by our consolidated partially owned entity, the Kings Plaza energy plant joint venture.

Interest and Debt Expense

Interest and debt expense was \$65,322,000 in 2007, compared to \$67,726,000 in 2006, a decrease of \$2,404,000. This decrease was primarily due to higher capitalized interest of \$4,567,000 in the current year as a result of our Rego Park development project in 2007, partially offset by, \$2,466,000 of accrued interest on the liability for unrecognized tax benefits, in connection with the adoption of FASB Interpretation No. 48.

Minority Interest of Partially Owned Entity

Minority interest of partially owned entity represents our venture partner's 75% prorata share of net income or loss in our consolidated partially owned entity, the Kings Plaza energy plant joint venture, which became operational in March 2007. Minority interest of partially owned entity was expense of \$1,168,000 in 2007, compared to income of \$1,095,000 in 2006, a change of \$2,263,000. This change resulted primarily from income in the current year as a result of a net gain on sale of certain emission reduction credits, compared to a loss in the prior year as a result of organization cost expensed in connection with forming the joint venture.

Results of Operations - Continued

Years Ended December 31, 2006 and December 31, 2005

We had a net loss of \$74,983,000 for the year ended December 31, 2006, compared to net income of \$82,241,000, for the year ended December 31, 2005. Net loss for 2006 includes \$148,613,000 for an accrual of SARs compensation expense, partially offset by \$13,256,000 for an after-tax net gain from the sale of residential condominium units at 731 Lexington Avenue. The net of these items decreased net income by \$135,357,000. Net income for the year ended December 31, 2005 includes \$60,943,000 for an after-tax net gain from the sale of residential condominium units at 731 Lexington Avenue and \$2,088,000 of income from the settlement of claims against third parties for environmental remediation at Kings Plaza, partially offset by \$27,588,000 for an accrual of SARs compensation expense. The net of these items increased net income by \$35,443,000.

Property Rentals

Property rentals were \$137,072,000 in 2006, compared to \$132,949,000 in 2005, an increase of \$4,123,000. This increase was primarily attributable to rents from tenants at 731 Lexington Avenue whose space was placed into service subsequent to the second quarter of 2005.

Expense Reimbursement

Tenant expense reimbursements were \$61,700,000 in 2006, compared to \$54,136,000 in 2005, an increase of \$7,564,000. This increase was largely due to reimbursements from tenants at 731 Lexington Avenue under leases that commenced subsequent to the second quarter of 2005.

Operating Expenses

Operating expenses were \$71,980,000 in 2006, compared to \$64,872,000 in 2005, an increase of \$7,108,000. This increase was primarily due to (i) \$4,900,000 at 731 Lexington Avenue as a result of the property becoming fully operational in the fourth quarter of 2005; (ii) \$800,000 in connection with operating the energy plant, and (iii) \$500,000 for environmental remediation in connection with an oil spill at our Kings Plaza Regional Shopping Center.

General and Administrative

General and administrative expenses were \$154,844,000 in 2006, compared to \$32,393,000 in 2005, an increase of \$122,451,000. This increase was primarily due to higher accruals for SARs compensation expense.

Depreciation and amortization expense was \$21,813,000 in 2006, compared to \$19,877,000 in 2005, an increase of \$1,936,000. This increase was due to depreciation on the 731 Lexington Avenue building and improvements, which became fully operational in the fourth quarter of 2005.

Interest and Other Income, net

Interest and other income, net was \$28,257,000 in 2006, compared to \$14,769,000 in 2005, an increase of \$13,488,000. This increase was primarily due to higher average cash balances of \$209,000,000 and an increase in average yields on investments of approximately 1.4%, partially offset by a decrease in other income (2005 included income of \$2,088,000 from the settlement of claims against third parties for environmental remediation at Kings Plaza).

Interest and Debt Expense

Interest and debt expense was \$67,726,000 in 2006, compared to \$62,678,000 in 2005, an increase of \$5,048,000. This increase was primarily due to a lower amount of interest capitalized in the current year (interest of \$1,378,000 was capitalized in 2006, compared to \$6,935,000 in 2005).

Minority Interest of Partially Owned Entity

Minority interest of partially owned entity represents our venture partner's 75% prorata share of net income or loss in our consolidated partially owned entity, the Kings Plaza energy plant joint venture. In the current year, we expensed \$1,460,000 of organization costs incurred in connection with forming the joint venture, of which the minority partner's share was \$1,095,000.

Related Party Transactions

Vornado

At December 31, 2007, Vornado owned 32.8% of our outstanding common stock. We are managed by, and our properties are leased and developed by, Vornado, pursuant to the agreements described below, which expire in March of each year and are automatically renewable.

In conjunction with the closing of the Rego Park II construction loan on December 21, 2007, we bifurcated the management, development and leasing agreements described below to cover the Rego Park II property separately. In addition, we amended the Rego Park II management and development agreement, to provide for a term through substantial completion of the construction, with automatic renewals, and for payment of the Rego Park II development fees upon the earlier of substantial completion of the construction, or the transfer of the property to an unaffiliated third party.

Management and Development Agreements

We pay Vornado an annual management fee equal to the sum of (i) \$3,000,000, (ii) 3% of gross income from the Kings Plaza Regional Shopping Center, (iii) \$0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue, and (iv) \$227,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue.

In addition, Vornado is entitled to a development fee of 6% of development costs, as defined, with minimum guaranteed fees of \$750,000 per annum.

Leasing Agreements

Vornado also provides us with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through the twentieth year of a lease term, and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by tenants. In the event third-party real estate brokers are used, the fees to Vornado increase by 1% and Vornado is responsible for the fees to the third-party real estate brokers. Vornado is also entitled to a commission upon the sale of any of our assets equal to 3% of gross proceeds, as defined, for asset sales less than \$50,000,000 and 1% of gross proceeds, as defined, for asset sales of \$50,000,000 or more. The total of these amounts is payable in annual installments in an amount not to exceed \$4,000,000, with interest on the unpaid balance at LIBOR plus 1.0% (6.34% at December 31, 2007).

Other Agreements

We have also entered into agreements with Building Maintenance Services, a wholly owned subsidiary of Vornado, to supervise cleaning, engineering and security services at our Lexington Avenue and Kings Plaza properties for an annual fee of the cost for such services plus 6%.

The following table shows the amounts incurred under the agreements discussed above.

(Amounts in thousands)	Year Ended December 31,		
	2007	2006	2005
Company management fees	\$ 3,000	\$ 3,000	\$ 3,000

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Development fees	6,476	755	4,431
Leasing fees	4,411	4,505	11,671
Property management fees and payments for cleaning, engineering and security services	4,530	3,383	4,776
	\$ 18,417	\$ 11,643	\$ 23,878

At December 31, 2007, we owed Vornado \$33,650,000 for leasing fees, \$5,726,000 for development fees and \$1,185,000 for management, property management and cleaning fees.

Other

In the years ended December 31, 2007, 2006 and 2005, Winston & Strawn LLP, a law firm in which Neil Underberg, a member of our Board of Directors, is of counsel, performed legal services for us for which it was paid \$219,000, \$106,000, and \$368,000, respectively.

LIQUIDITY AND CAPITAL RESOURCES

We anticipate that cash from operations, together with existing cash balances, will be adequate to fund our business operations, recurring capital expenditures, and debt amortization over the next twelve months.

Development Projects

Rego Park II

We own approximately 6.6 acres of land adjacent to our Rego Park I property in Queens, New York, which comprises the entire square block bounded by the Horace Harding Service Road (of the Long Island Expressway), 97th Street, 62nd Drive and Junction Boulevard.

The development at Rego Park II consists of a 600,000 square foot shopping center on four levels and a parking deck containing approximately 1,400 spaces. Construction has commenced, is expected to be completed in 2009 and estimated to cost approximately \$410,000,000, of which \$156,700,000 has been expended as of December 31, 2007. The development may also include an apartment tower containing 315 apartments.

On December 21, 2007, we obtained a construction loan providing up to \$350,000,000 to finance the construction of the shopping center. The loan has an interest rate of LIBOR plus 1.20% (6.13% at December 31, 2007), and a term of three years with a one-year extension option. As of December 31, 2007, we have borrowed \$55,786,000 under the construction loan. The shopping center will be anchored by a 134,000 square foot Century 21 department store, a 138,000 square foot Home Depot and a 132,000 square foot Kohl's.

There can be no assurance that this project will be completed, completed on time, or completed for the budgeted amount.

Insurance

We carry commercial liability and all risk property insurance for (i) fire, (ii) flood, (iii) rental loss, (iv) extended coverage, and (v) acts of terrorism, as defined in the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2007, which expires in 2014, with respect to our assets, with limits of (i) \$965,000,000 per occurrence, including terrorist acts, as defined, for our 731 Lexington Avenue property, and (ii) \$500,000,000 per occurrence, including terrorist acts, as defined, for our other properties. To the extent that we incur losses in excess of our insurance coverage, these losses would be borne by us and could be material.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for the purposes of 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.

Stock Appreciation Rights

As of December 31, 2007, we had 500,000 stock appreciation rights (SARs) that were outstanding and exercisable. These SARs have a weighted-average exercise price of \$70.38 and are scheduled to expire on March 4, 2009. Since the SARs agreements require that they be settled in cash, we would have had to pay \$141,437,000 to the holders of these SARs had they exercised their SARs on December 31, 2007. Any change in our stock price from the closing price of \$353.25 at December 31, 2007 would increase or decrease the amount we would have to pay upon exercise.

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LIQUIDITY AND CAPITAL RESOURCES Continued**Debt and Contractual Obligations**

Below is a summary of our properties and their encumbrances at December 31, 2007:

(Amounts in thousands)	Balance	Interest Rate	Maturity
Lexington Office	\$ 383,670	5.33%	Feb. 2014
Lexington Retail ⁽¹⁾	320,000	4.93%	July 2015
Kings Plaza	203,456	7.46%	June 2011
Rego Park I	79,285	7.25%	June 2009
Paramus	68,000	5.92%	Oct. 2011
Rego Park II (under construction)	55,786	6.13%	⁽²⁾ Dec. 2010
Rego Park III (land)		N/A	N/A
Flushing (leasehold interest)		N/A	N/A
	\$ 1,110,197		