ALEXANDERS INC
Form 10-K
February 22, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10 K

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

For the Fiscal Year Ended:December 31, 2010

OR

o **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	**51-0100517**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
210 Route 4 East, Paramus, New Jersey	**07652**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(201) 587-8541**

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 o NO x

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 o NO x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any,
every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405
of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
o Yes o 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. o

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.

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

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

The aggregate market value of the voting and non-voting shares of common stock held by non-affiliates of the registrant, (i.e., by persons other than officers and directors of Alexander's, Inc.) was $622,802,000 at June 30, 2010.

As of December 31, 2010 there were 5,105,936 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 26, 2011.

TABLE OF CONTENTS

(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, 2010, portions of which are incorporated by reference herein.

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 performance. They represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. 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 no the following forward-looking statements: in the case of our development projects, the estimated completion date, estimated project costs and costs to complete; and estimates of dividends on shares of our common stock. Many of the factors that will determine the outcome of these and our other forward-looking statements 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 our 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.

3

PART I

ITEM 1. BUSINESS

GENERAL

Alexander's, Inc. (NYSE: ALX) 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" refe to Alexander's, Inc. and its consolidated subsidiaries. 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:

<u>Operating properties</u>

(i) the 731 Lexington Avenue property, a 1,307,000 square foot multi-use building, comprising the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street in Manhattan. 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. Bloomberg L.P. ("Bloomberg") occupies all of the office space. The Home Depot (83,000 square feet), The Container Store (34,000 square feet) and Hennes & Mauritz (27,000 square feet) are the principal retail tenants;

(ii) the Kings Plaza Regional Shopping Center contains 1,210,000 square feet and is located on Flatbush Avenue in Brooklyn. The center is anchored by a 339,000 square foot Macy's (owned by Macy's, Inc.), a 289,000 square foot Sears department store and a 114,000 square foot Lowe's on land leased from us;

(iii) the Rego Park I Shopping Center contains 343,000 square feet and is located on Queens Boulevard and 63rd Road in Queens. The center is anchored by a 195,000 square foot Sears department store, a 46,000 square foot Bed Bath & Beyond and a 36,000 square foot Marshalls. In January 2011, we leased 50,000 square feet to Burlington Coat Factory;

(iv) the Rego Park II property, a newly developed 615,000 square foot shopping center, is located adjacent to our Rego Park I property in Queens. As of December 31, 2010, 89% of the center is in service and such portion is 100% leased, primarily to three anchor tenants: a 145,000 square foot Costco, a 135,000 square foot Century 21 and a 133,000 square foot Kohl's. In addition 47,000 square feet is leased to Toys "R" Us/Babies "R" Us, a one-third owned affiliate of Vornado;

(v) the Paramus property, located at the intersection of Routes 4 and 17 in Paramus, New Jersey, consists of 30.3 acres of land leased to IKEA Property, Inc.;

(vi) the Flushing property, a 167,000 square foot building, is located at Roosevelt Avenue and Main Street in Queens and is sub-leased to New World Mall LLC for the remainder of our ground lease term; and

Property to be developed

(vii) the Rego Park III property is a 3.4 acre land parcel adjacent to our Rego Park II property in Queens at the intersection of Junction Boulevard and the Horace Harding Service Road.

Business Environment

Substantially all businesses, including ours, were negatively affected by the 2008/2009 economic recession and illiquidity and volatility in the capital and financial markets. Although there are signs of an economic recovery and greater stability in the capital and financial markets, it is not possible for us to predict whether these trends will continue in the future or quantify the impact of these or any other trends on our financial results.

Significant Tenants

Bloomberg accounted for $83,137,000, $77,988,000 and $66,333,000, or 34%, 35% and 31% of our consolidated revenues in the years ended December 31, 2010, 2009 and 2008, respectively. No other tenant accounted for more than 10% of our consolidated revenues in any of the last three years. If we were to lose Bloomberg as a tenant, or if Bloomberg were to fail or become unable to perform its obligations under its lease, it would adversely affect our results of operations and financial condition. We receive and evaluate certain confidential financial information and metrics from Bloomberg on a semi-annual basis. In addition, we access and evaluate financial information regarding Bloomberg from private sources, as well as publicly available data.

Relationship with Vornado

At December 31, 2010, Vornado owned 32.4% of our outstanding common stock. Steven Roth is the Chairman of our Board of Directors and Chief Executive Officer, the Managing General Partner of Interstate Properties (“Interstate”), a New Jersey general partnership, and the Chairman of the Board of Trustees of Vornado. At December 31, 2010, 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 2.3% they indirectly own through Vornado. Michael D. Fascitelli, President and Chief Executive Officer of Vornado, is our President and a member of our Board of Directors. Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with 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.

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. We have paid $500,000 of such amount and the remainder is covered under our insurance policy.

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 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 80 employees.

Executive Office

Our 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"). Also available on our website are 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 adversely impact our revenues and cash flows.

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

- national, regional and local economic conditions;
- competition from other available space;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- how well we manage our properties;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- whether we are able to pass all or portions of any increases in operating costs through to tenants;
- changes in real estate taxes and other expenses;
- 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;
- availability of financing on acceptable terms or at all;
- fluctuations in interest rates;
- our ability to obtain adequate insurance;
- changes in zoning laws and taxation;
- government regulation;
- consequences of any armed conflict involving, or terrorist attack against, the United States;

- potential liability under environmental or other laws or regulations;
- natural disasters;
- general competitive factors; and
- climate changes.

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 for distribution 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.

Capital markets and economic conditions can materially affect our financial condition and results of operations and the value of our debt and equity securities.

There are many factors that can affect the value of our debt and equity securities, including the state of the capital markets and economy which have recently negatively affected substantially all businesses, including ours. Demand for office and retail space may decline nationwide as it did in 2008 and 2009, due to bankruptcies, downsizing, layoffs and cost cutting. The cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. Our inability or the inability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs may materially effect our financial condition and results of operations and the value of our debt and equity securities.

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 depend on leasing space to tenants on economically favorable terms and collecting rent from 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 stockholders will decrease if certain 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. During periods of economic adversity, there may be an increase in the number of tenants that cannot pay their rent and an increase in vacancy rates.

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. 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 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 our financial condition or results of operation.

Bloomberg accounted for $83,137,000, $77,988,000 and $66,333,000, or 34%, 35% and 31% of our consolidated revenues in the years ended December 31, 2010, 2009 and 2008, respectively. No other tenant accounted for more than 10% of our consolidated revenues in any of the last three years. If we were to lose Bloomberg as a tenant, or if Bloomberg were to fail or become unable to perform its obligations under its lease, it would adversely affect our results of operations and financial condition.

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

Although neither inflation nor deflation has materially impacted our operations in the recent past, increased inflation could have a pronounced negative impact on our mortgages and interest rates and general and administrative expenses, as these costs could increase at a rate higher than our rents. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our percentage rents, where applicable. Conversely, deflation could lead to downward pressure on rents and other sources of income.

Our business and operations would suffer in the event of system failures.

Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions.

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.

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. We have paid $500,000 of such amount and the remainder is covered under our insurance policy.

Each of our properties has been subjected to varying degrees of environmental assessment at various times. Except as referenced above, 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.

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

We maintain general liability insurance with limits of $300,000,000 per occurrence and all-risk property and rental value insurance coverage with limits of $1.7 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods and earthquakes on each of our properties. There can be no assurance that we will be able to maintain similar levels of insurance coverage in the future in amounts and on terms that are commercially reasonable. We are responsible for deductibles and losses in excess of our insurance coverage, which could be material.

Our mortgage loans are non-recourse to us, except for $75,000,000 of the $320,000,000 mortgage on our 731 Lexington Avenue property, in the event of a substantial casualty, as defined. Our mortgage loans contain customary covenants requiring us to maintain insurance. If lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance 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 ("ADA") generally requires that public buildings, including our properties, meet certain federal requirements related to access and use by 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 ADA, 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 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.

All of our revenues come from properties located in the greater New York City metropolitan area. Real estate markets are subject to economic downturns 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 our financial performance and the value of our properties. The factors affecting economic conditions in this area include:

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

It is impossible for us to assess the future effects of 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. Local, national or global economic downturns, would negatively affect our businesses and profitability.

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 are subject to risks that affect the general retail environment.

A substantial portion 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, unemployment rates, 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.

We face risks associated with our tenants being designated "Prohibited Persons" by the Office of Foreign Assets Control.

Pursuant to Executive Order 13224 and other laws, the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") maintains a list of persons designated as terrorists or who are otherwise blocked or banned ("Prohibited Persons") from conducting business or engaging in transactions in the United States. Our leases, loans and other agreements may require us to comply with OFAC requirements. If a tenant or other party with whom we conduct business is placed on the OFAC list we may be required to terminate the lease or other agreement. Any such termination could result in a loss of revenue or otherwise negatively affect our financial results and cash flows.

WE MAY ACQUIRE OR SELL ASSETS OR DEVELOP PROPERTIES. OUR FAILURE OR INABILITY TO CONSUMMATE THESE TRANSACTIONS OR MANAGE 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 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 types of properties where we do not have the same level of market knowledge may result in weaker 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, which may limit our flexibility.

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.

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, 2010, 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 and debt refinancing may not be available on acceptable terms.

As of December 31, 2010, total debt outstanding was $1,246,411,000. Our ratio of total debt to total enterprise value was 42.2% at December 31, 2010. “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, 2010, our scheduled cash payments for principal and interest were $92,770,000. 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 which 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. Continued uncertainty in the equity and credit markets may negatively impact our ability to obtain financing on reasonable terms or at all, which may negatively affect our ability to refinance our debt.

We may issue stock appreciations rights and other forms of stock-based compensation, and the cash required to settle these awards may impact our liquidity.

In the past, we have issued stock appreciation rights (“SARs”) and other forms of stock-based compensation. As of December 31, 2010, no SARs or other forms of stock-based compensation were outstanding. We may in the future issue SARs and other forms of stock-based compensation as a form of executive compensation, and the cash required to settle these awards may impact our liquidity.

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. Our 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. Our qualification as a REIT also depends on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions might significantly change the tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualifying as a REIT.

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

We face possible adverse changes in tax laws, which may result in an increase in our tax liability.

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. Although 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.

12

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. Stock 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 59.6% of our outstanding shares of common stock. This degree of ownership is likely to reduce the possibility of a tender offer or an attempt to change control of the Company by a third party.

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.

13

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, 2010, Interstate and its partners owned approximately 7.0% 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 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, 2010, Vornado owned 32.4% 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, President and Chief Executive Officer of Vornado, is our President and a member of our Board of Directors. Dr. Richard West is a trustee of Vornado and a member of our Board of Directors. Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position 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.

The price of our common shares has been volatile and may fluctuate.

The trading price of our common shares has been volatile and may continue to fluctuate widely as a result of a number of factors, many of which are outside of our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations have in the past and may in the future adversely affect the market price of our common shares. Among the factors that could affect the price of our common shares are:

- our financial condition and performance;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- the reputation of REITs and real estate investments generally and the attractiveness of REIT equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- uncertainly and volatility in the equity and credit markets;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other real estate investment trusts;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- the extent of institutional investor interest in us;
- the extent of short-selling of our common shares and the shares of our competitors;
- fluctuations in the stock price and operating results of our competitors;
- general financial and economic market conditions and, in particular, developments related to market conditions for real estate investment trusts and other real estate related companies;
- domestic and international economic factors unrelated to our performance; and
- all other risk factors addressed elsewhere in this document.

A significant decline in our stock price could result in substantial losses for stockholders.

Alexander's has additional shares of its common stock available for future issuance, which could decrease the market price of the common stock currently outstanding.

The interest of our current stockholders could be diluted if we issue additional equity securities. As of December 31, 2010, 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, 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 grants, 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.

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.

15

ITEM 2. properties

The following table shows the location, ownership, approximate size (excluding parking garages) and occupancy of each of our properties as of December 31, 2010.

Property	Land Acreage	Building Square Feet	Occupancy Rate	Average Annualized Rent Per Square Foot	Tenants	Lease Expiration/ Option Expiration(s)
Operating Properties:						
731 Lexington Avenue New York, New York						
Office		697,000			Bloomberg L.P.	2029/2039
		188,000			Bloomberg L.P.	2015/2020
		885,000	100%	$ 82.14		
Retail		83,000			The Home Depot	2025/2035
		34,000			The Container Store	2021
		27,000			Hennes & Mauritz	2019
		30,000			Various	Various
		174,000	100%	161.23		
	1.9	1,059,000				
Kings Plaza Regional Shopping Center						
Brooklyn, New York		415,000	94%	61.57	106 Mall tenants	Various
		339,000			Macy's (owned by Macy's, Inc.)	N/A
		289,000			Sears	2023/2033
		114,000			Lowe's (ground lessee)	2028/2053
		53,000			Best Buy	2032
	24.3	1,210,000				
Rego Park I						
Queens, New York		195,000			Sears	2021
		50,000			Burlington Coat Factory (lease not commenced)	2022/2027

		46,000			Bed Bath & Beyond	2013/2021
		36,000			Marshalls	2021
		16,000			Old Navy	2021
	4.8	343,000	85%	32.28		
Rego Park II						
Queens, New York						
In Service		145,000			Costco	2034/2059
		135,000			Century 21	2030/2050
		133,000			Kohl’s	2030/2050
		47,000			Toys "R"Us/Babies "R" Us	2021/2036
		90,000			Various	Various
		550,000	100%	38.01		
Under Development		65,000				
	6.6	615,000				
Routes 4 and 17						
Paramus, New Jersey	30.3	-	100%	-	IKEA (ground lessee)	2041
Roosevelt Avenue and Main Street						
Queens, New York (ground leased through January 2037)	1	167,000	100%	14.99	New World Mall LLC	2027/2037
Property to be Developed:						
Rego Park III, adjacent to Rego Park II						
Queens, New York	3.4	-	-	-	-	-
		3,394,000				

ITEM 2. PROPERTIES – continued

Operating Properties

731 Lexington Avenue

The 731 Lexington Avenue property, a 1,307,000 square foot multi-use building, comprises the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street in Manhattan, New York, and 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 across the street from Bloomingdale's flagship store and only a few blocks away from Fifth Avenue and 57th Street. 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. Bloomberg L.P. occupies all of the office space. The Home Depot (83,000 square feet), The Container Store (34,000 square feet) and Hennes & Mauritz (27,000 square feet) are the principal retail tenants.

The office and retail spaces are encumbered by first mortgage loans with balances of $351,751,000 and $320,000,000, respectively, as of December 31, 2010. These 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 contains 1,210,000 square feet and is located on Flatbush Avenue in Brooklyn, New York. The center is anchored by a 339,000 square foot Macy's (owned by Macy's, Inc.), a 289,000 square foot Sears department store and a 114,000 square foot Lowe's on land leased from us. Among the features are a marina, a parking deck (3,739 spaces) and an energy plant that generates electricity for the center.

The following table sets forth lease expirations for the Mall tenants in the center as of December 31, 2010, 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 Total	Annual Rent of Expiring Leases Per Square Foot	Percent of Total Leased Square Feet	Percent of 2010 Gross Annual Rentals

Month to month	6	12,067	$ 1,076,292	$ 89.19	2.9%	4.2%
2011	13	42,600	2,225,484	52.24	10.1%	8.6%
2012	14	35,652	2,489,844	69.84	8.5%	9.6%
2013	10	37,965	2,495,220	65.72	9.0%	9.6%
2014	11	44,256	3,153,720	71.26	10.5%	12.2%
2015	6	8,656	635,652	73.43	2.1%	2.5%
2016	7	25,275	1,633,548	64.63	6.0%	6.3%
2017	13	46,051	2,979,468	64.70	11.0%	11.5%
2018	8	27,622	1,893,744	68.56	6.6%	7.3%
2019	10	26,749	1,919,256	71.75	6.4%	7.4%
2020	6	59,494	2,791,656	46.92	14.1%	10.8%

17

ITEM 2. PROPERTIES – continued

Mall sales per square foot were $618 and $628 for the years ended December 31, 2010 and 2009, respectively. 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
2010	94%	$ 61.57
2009	92%	59.32
2008	94%	56.86
2007	94%	55.95
2006	94%	52.78

The center is encumbered by a first mortgage loan with a balance of $151,214,000 at December 31, 2010. The loan matures in June 2011 and bears interest at 7.46%.

Rego Park I

The Rego Park I Shopping Center contains 343,000 square feet and is located on Queens Boulevard and 63rd Road in Queens, New York. The center is anchored by a 195,000 square foot Sears department store, a 46,000 square foot Bed Bath & Beyond and a 36,000 square foot Marshalls. In January 2011, we leased 50,000 square feet to Burlington Coat Factory. The center contains a parking deck (1,265 spaces) that provides for paid parking.

The center is encumbered by a 100% cash collateralized loan with a balance of $78,246,000 at December 31, 2010. The loan matures in March 2012, bears interest at 0.75% and is prepayable at any time without penalty.

Rego Park II

The Rego Park II property, a newly developed 615,000 square foot shopping center, is located adjacent to our Rego Park I property in Queens, New York. As of December 31, 2010, 89% of the center is in service and such portion is 100% leased, primarily to three anchor tenants: a 145,000 square foot Costco, a 135,000 square foot Century 21 and a 133,000 square foot Kohl's. In addition, 47,000 square feet is leased to Toys "R" Us/Babies "R" Us, a one-third owned affiliate of Vornado. The center contains a parking deck (1,315 spaces) that provides paid parking.

In December 2010, we repaid a portion of the construction loan and extended its maturity date to December 2011. The loan has a balance of $277,200,000 at December 31, 2010 and bears interest at LIBOR plus 1.20% (1.46% at December 31, 2010.)

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.

ITEM 2. PROPERTIES – continued

Flushing

The Flushing property is located at 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 four-floor building containing 167,000 square feet and a parking garage, which is sub-leased to New World Mall, LLC for the remainder of our ground lease term.

In 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 New York State Court alleging that we failed to honor the terms and conditions of the agreement. The complaint sought specific performance and, if specific performance was denied, it sought a return of the deposit plus interest and $50,000 in costs. In August 2010, the New York State Court entered judgment denying specific performance and ordered us to return the deposit together with accrued interest and fees. We have filed a notice of appeal and this judgment is stayed pending the appeal. As a result of the judgment, included as a component of "general and administrative" expenses on our consolidated statement of income for the year ended December 31, 2010 is a $3,135,000 litigation loss accrual, representing the amount of the deposit, accrued interest and fees.

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 maintain general liability insurance with limits of $300,000,000 per occurrence and all-risk property and rental value insurance coverage with limits of $1.7 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods and earthquakes on each of our properties. There can be no assurance that we will be able to maintain similar levels of insurance coverage in the future in amounts and on terms that are commercially reasonable. We are responsible for deductibles and losses in excess of our insurance coverage, which could be material.

Our mortgage loans are non-recourse to us, except for $75,000,000 of the $320,000,000 mortgage on our 731 Lexington Avenue property, in the event of a substantial casualty, as defined. Our mortgage loans contain customary covenants requiring us to maintain insurance. If lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance our properties.

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.”

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 closing prices for the shares of our common stock for each full quarterly period within the two most recent years and any dividends paid per share during such periods.

	Year Ended December 31,					
	2010			2009		
Quarter	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
First	$ 312.28	$ 267.94	$ -	$ 266.93	$ 125.88	$ -
Second	340.00	282.03	2.50	303.14	160.46	-
Third	347.83	297.16	2.50	325.22	250.00	-
Fourth	421.82	314.45	2.50	314.05	260.15	-

In order to maintain our qualification as a REIT under the Internal Revenue Code, we must distribute at least 90% of our taxable income to stockholders. Because the balance of our net operating loss carryover ("NOL") has exceeded taxable income in the past, there was no distribution requirement and accordingly no dividends were paid. In 2010, our estimated taxable income exceeded the remaining balance of our NOL and we began paying a regular quarterly dividend of $2.50 per share (estimated quarterly taxable income) beginning in the second quarter of 2010. On January 12, 2011, we increased our regular quarterly dividend to $3.00 per share (an indicated annual rate of $12.00 per share).

As of December 31, 2010, there were approximately 376 holders of record of our common stock.

Recent Sales of Unregistered Securities

During 2010, we did not sell any unregistered securities.

Recent Purchases of Equity Securities

During 2010, 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, 2005 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.

	2005	2006	2007	2008	2009	2010
Alexander’s	100	171	144	105	124	172
S&P 500 Index	100	116	122	77	97	112
The NAREIT All Equity Index	100	135	114	71	91	116

22

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.

	Year Ended December 31,				
(Amounts in thousands, except per share amounts)	2010	2009	2008	2007	2006
Total revenues	$ 241,350	$ 223,529	$ 211,097	$ 207,980	$ 198,772
Income (loss) before net gain on sale of condominiums[1]	$ 67,445	$ 132,941	$ 76,295	$ 115,509	$ (89,334)
Net gain on sale of condominiums after income taxes	-	-	-	-	13,256
Net income (loss)	67,445	132,941	76,295	115,509	(76,078)
Net (income) loss attributable to the noncontrolling interest	(1,016)	(751)	(7)	(1,168)	1,095
Net income (loss) attributable to Alexander's	$ 66,429	$ 132,190	$ 76,288	$ 114,341	$ (74,983)
Income (loss) per common share:					
Income (loss) per common share – basic	$ 13.01	$ 25.90	$ 15.05	$ 22.68	$ (14.92)
Income (loss) per common share – diluted	$ 13.01	$ 25.89	$ 14.96	$ 22.44	$ (14.92)
Balance sheet data:					
Total assets	$ 1,679,300	$ 1,703,769	$ 1,603,568	$ 1,532,410	$ 1,447,242
Real estate, at cost	1,050,291	1,025,234	967,975	835,081	692,388
Accumulated depreciation and amortization	157,232	132,386	114,235	96,183	80,779
Debt	1,246,411	1,278,964	1,221,255	1,110,197	1,068,498
Total equity	343,776	314,626	180,751	137,426	28,337

(1) Includes reversals of stock appreciation rights ("SARs") compensation expense of $34,275, $20,254 and $43,536 in 2009, 2008 and 2007, respectively, and an accrual for SARs compensation expense of $148,613 in 2006.

23

ITEM 7. management’s discussion and analysis of financial conditions and results of operations

Overview

Alexander's, Inc. (NYSE: ALX) is a real estate investment trust ("REIT"), incorporated in Delaware, engaged in leasing, managing, developing and redeveloping properties. All references to "we," "us," "our," "Company," and "Alexander's", refer Alexander's, Inc. and its consolidated subsidiaries. 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.

We compete with a large number of 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 on acceptable terms as it comes due.

Substantially all businesses, including ours, were negatively affected by the 2008/2009 economic recession and illiquidity and volatility in the capital and financial markets. Although there are signs of an economic recovery and greater stability in the capital and financial markets, it is not possible for us to predict whether these trends will continue in the future or quantify the impact of these or any other trends on our financial results.

In January 2011, we leased 50,000 square feet at our Rego Park I Shopping Center to Burlington Coat Factory.

Year Ended December 31, 2010 Financial Results Summary

Net income attributable to common stockholders for the year ended December 31, 2010 was $66,429,000, or $13.01 per diluted share, compared to $132,190,000, or $25.89 per diluted share, for the year ended December 31, 2009. Funds from operations attributable to common stockholders ("FFO") for the year ended December 31, 2010 was $97,271,000, or $19.05 per diluted share, compared to $158,960,000, or $31.14 per diluted share, for the year ended December 31, 2009. Net income attributable to common stockholders and FFO for the years ended December 31, 2010 and 2009 include income of $5,113,000 and $42,472,000, respectively, or $1.00 and $8.32 per diluted share, respectively, from the reversal of a portion of the liability for income taxes due to the expiration of the applicable statute of limitations. The year ended December 31, 2010 also includes $3,135,000, or $0.61 per diluted share, for a litigation loss accrual related to our Flushing property and the year ended December 31, 2009 includes $34,275,000, or $6.71 per diluted share, for the reversal of a portion of previously recognized stock appreciation rights compensation expense.

Quarter Ended December 31, 2010 Financial Results Summary

Net income attributable to common stockholders for the quarter ended December 31, 2010 was $17,891,000, or $3.50 per diluted share, compared to $15,102,000, or $2.96 per diluted share, for the quarter ended December 31, 2009. FFO for the quarter ended December 31, 2010 was $25,982,000, or $5.09 per diluted share, compared to $22,372,000, or $4.38 per diluted share, for the quarter ended December 31, 2009.

Significant Tenants

Bloomberg L.P. ("Bloomberg") accounted for $83,137,000, $77,988,000, and $66,333,000, or 34%, 35% and 31%, of our consolidated revenues in the years ended December 31, 2010, 2009 and 2008, respectively. No other tenant accounted for more than 10% of our consolidated revenues in any of the last three years. If we were to lose Bloomberg as a tenant, or if Bloomberg were to fail or become unable to perform its obligations under its lease, it would adversely affect our results of operations and financial condition. We receive and evaluate certain confidential financial information and metrics from Bloomberg on a semi-annual basis. In addition, we access and evaluate financial information regarding Bloomberg from private sources, as well as publicly available data.

Recently Issued Accounting Literature

On January 21, 2010, the Financial Accounting Standards Board ("FASB") issued an update to Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, adding new requirements for disclosures about transfers into and out of Levels 1 and 2 fair value measurements and additional disclosures about the activity within Level 3 fair value measurements. The adoption of this guidance on January 1, 2010 did not have any effect on our consolidated financial statements.

On June 12, 2009, the FASB issued an update to ASC 810, *Consolidation*, which modifies the existing quantitative guidance used in determining the primary beneficiary of a variable interest entity ("VIE") by requiring entities to qualitatively assess whether an enterprise is a primary beneficiary, based on whether the entity has (i) power over the significant activities of the VIE, and (ii) an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The adoption of this guidance on January 1, 2010 did not have any effect on our consolidated financial statements.

Critical Accounting Policies and Estimates

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), 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, 2010 and 2009, the carrying amount of our real estate, net of accumulated depreciation, was $893,059,000 and $892,848,000, respectively. Maintenance and repairs are charged to operations as incurred. Depreciation requires an estimate by management 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 may be misstated. 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.

Our properties and related intangible assets, including properties to be developed in the future, currently under development and those that are substantially completed and are to be held and used, are individually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Estimates of future cash flows are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. For our development properties, estimates of future cash flows also include all future expenditures necessary to develop the asset, including interest payments that will be capitalized as part of the cost of the asset. An impairment loss is recognized only if the carrying amount of the asset is not recoverable and is measured based on the excess of the property’s carrying amount over its estimated fair value. If our estimates of future cash flows, anticipated holding periods, or fair values change, based on market conditions or otherwise, our evaluation of impairment charges may be different and such differences could be material to our consolidated financial statements. Estimates of future cash flows are subjective and are based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses.

Critical Accounting Policies and Estimates - Continued

Allowance for Doubtful Accounts

We periodically evaluate the collectibility of amounts due from tenants, including the receivable arising from the straight-lining of rents, and maintain an allowance for doubtful accounts ($1,047,000 and $1,736,000 as of December 31, 2010 and 2009, respectively) for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. 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.

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.

- Percentage Rent (revenue arising from retail tenant leases that is contingent upon the sales of tenants exceeding defined thresholds) – These rents are recognized only after the contingency has been removed (i.e., when tenant sales thresholds have been achieved).

- Expense Reimbursements (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.

- Parking income (revenue arising from the rental of parking space at our properties) – This income is recognized as cash is received.

Before we recognize revenue, we assess its collectability. If our assessment of the collectability of revenue changes, the impact on our consolidated financial statements could be material.

Income Taxes

We operate in a manner intended to enable us to continue to qualify as a Real Estate Investment Trust ("REIT") under Sections 856 – 860 of the Internal Revenue Code of 1986, as amended (the "Code"). In order to maintain our qualification as a REIT under the Code, we must distribute at least 90% of our taxable income to stockholders each year. To the extent we do not distribute all of our taxable income, we would be subject to corportate level income taxes. Because the balance of our net operating loss carryover ("NOL") has exceeded taxable income in the past, there was no distribution requirement. In 2010, our estimated taxable income exceeded the remaining balance of our NOL and we began paying a regular quarterly dividend which approximated our taxable income.

Under ASC 740, *Income Taxes,* deferred income taxes would be 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 carry-forwards 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, 2010 and 2009, there were no deferred tax assets or liabilities on our consolidated balance sheets.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009

Property Rentals

Property rentals were $166,403,000 in the year ended December 31, 2010, compared to $155,275,000 in the year ended December 31, 2009, an increase of $11,128,000. This increase was primarily attributable to tenants at the Rego Park II property whose space was placed into service subsequent to the second half of 2009 and during 2010.

Expense Reimbursements

Tenant expense reimbursements were $74,947,000 in the year ended December 31, 2010, compared to $68,254,000 in the year ended December 31, 2009, an increase of $6,693,000. This increase was primarily due to higher reimbursable operating expenses and real estate taxes and services provided to tenants. This was primarily attributable to the Rego Park II property whose space was placed into service subsequent to the second half of 2009 and during 2010.

Operating Expenses

Operating expenses were $78,652,000 in the year ended December 31, 2010, compared to $73,340,000 in the year ended December 31, 2009, a increase of $5,312,000. This resulted from a $6,115,000 increase in reimbursable operating expenses and real estate taxes, primarily attributable to the Rego Park II property whose space was placed into service subsequent to the second half of 2009 and during 2010, partially offset by an $803,000 decrease in non-reimbursable operating expenses.

Depreciation and Amortization

Depreciation and amortization was $31,343,000 in the year ended December 31, 2010, compared to $27,284,000 in the year ended December 31, 2009, an increase of $4,059,000. This increase resulted primarily from depreciation on the portion of Rego Park II placed into service subsequent to the second half of 2009 and during 2010.

General and Administrative Expenses

Excluding $3,135,000 for a litigation loss accrual related to our Flushing property in 2010, and $34,275,000 for the reversal of SARs compensation expense and $1,407,000 for the write-off of previously capitalized costs at our Flushing property in 2009, general and administrative expenses increased by $35,000 from the prior year.

Interest and Other Income, net

Interest and other income, net was $851,000 in the year ended December 31, 2010, compared to $2,847,000 in the prior year, a decrease of $1,996,000. This decrease was primarily due to lower average yields on investments (0.13% in the current year as compared to 0.48% in the prior year).

Interest and Debt Expense

Interest and debt expense was $58,372,000 in the year ended December 31, 2010, compared to $57,473,000 in the prior year, an increase of $899,000. This increase was primarily due to (i) $2,183,000 of lower capitalized interest as a result of placing a portion of our Rego Park II property into service, (ii) $1,784,000 of interest related to our income tax liability, resulting primarily from a lower reversal of previously recognized interest expense in the current year as compared to the prior year, partially offset by (iii) interest savings of $2,433,000 from the partial repayment of our Kings Plaza debt in March 2010 and (iv) $351,000 of lower interest on the leasing commissions owed to Vornado.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009 - continued

Net loss on Early Extinguishment of Debt

Net loss on early extinguishment of debt was $1,238,000 in the year ended December 31, 2010, compared to $519,000 in the prior year and resulted from the open market purchases of our Kings Plaza debt of $27,500,000 and $11,948,000 in 2010 and 2009, respectively, for $28,738,000 and $12,467,000 in cash, respectively.

Income Tax Benefit

Income tax benefit was $2,641,000 in the year ended December 31, 2010, compared to $36,935,000 in the prior year, a decrease of $34,294,000. This decrease resulted primarily from a lower reversal of our income tax liability in the current year as compared to the prior year. These liabilities were reversed as a result of the expiration of the applicable statute of limitations.

Net Income Attributable to the Noncontrolling Interest

Net income attributable to the noncontrolling interest was $1,016,000 in the year ended December 31, 2010, compared to $751,000 in the prior year, and represents our venture partner’s 75% pro rata share of net income from our consolidated partially owned entity, the Kings Plaza energy plant joint venture.

Results of Operations – Year Ended December 31, 2009 Compared to December 31, 2008

Property Rentals

Property rentals were $155,275,000 in the year ended December 31, 2009, compared to $143,004,000 in the year ended December 31, 2008, an increase of $12,271,000. This increase was primarily attributable to anchor tenants at the Rego Park II property whose space was placed into service during 2009.

Expense Reimbursements

Tenant expense reimbursements were $68,254,000 in the year ended December 31, 2009, compared to $68,093,000 in the year ended December 31, 2008, an increase of $161,000.

Operating Expenses

Operating expenses were $73,340,000 in the year ended December 31, 2009, compared to $77,110,000 in the year ended December 31, 2008, a decrease of $3,770,000. This decrease resulted primarily from a $3,707,000 write-off in 2008 of Circuit City's receivable arising from the straight-lining of rent in connection with its lease termination at Rego Park I.

Depreciation and Amortization

Depreciation and amortization was $27,284,000 in the year ended December 31, 2009, compared to $24,066,000 in the year ended December 31, 2008, an increase of $3,218,000. This increase resulted primarily from depreciation on the portion of Rego Park II placed into service during 2009, partially offset by a $1,430,000 write-off of in 2008 of Circuit City's tenant improvements in connection with its lease termination at Rego Park I.

General and Administrative Expenses

Excluding (i) $34,275,000 and $20,254,000 for the reversal of a portion of previously recognized SARs compensation expense in 2009 and 2008, respectively, and (ii) $1,407,000 for the write-off of previously capitalized costs at our Flushing property in 2009, general and administrative expenses decreased by $1,065,000 from 2008. This decrease resulted primarily from lower professional fees.

Interest and Other Income, net

Interest and other income, net was $2,847,000 in the year ended December 31, 2009, compared to $15,222,000 in the prior year, a decrease of $12,375,000. This decrease was primarily comprised of (i) $8,448,000 from lower average yields on investments (0.48% in the year ended December 31, 2009 as compared to 2.29% in the year ended December 2008), (ii) $2,164,000 from lower average cash balances in 2009 and (iii) $1,872,000 from the net gain on the sale of real estate tax abatement certificates in 2008.

Interest and Debt Expense

Interest and debt expense was $57,473,000 in the year ended December 31, 2009, compared to $62,474,000 in the prior year, a decrease of $5,001,000. This decrease was primarily comprised of (i) a $5,165,000 reversal of a portion of the liability for income taxes in the current year (which was previously recognized as interest expense) due to the expiration of the applicable statute of limitations, (ii) a $4,237,000 decrease in interest from the refinancing of the Rego Park I mortgage loan in March 2009, (iii) a $1,021,000 decrease in interest on the Rego Park II construction loan, primarily due to a lower average interest rate (1.58% in the year ended December 31, 2009 as compared to 3.81% in the prior year), (iv) a $569,000 decrease in interest on the income tax liability due to the reversal of a portion of the liability in 2009 and (v) a $507,000 decrease in interest on the leasing commissions due to Vornado, mainly due to a lower rate in 2009, partially offset by (vi) $7,132,000 of lower capitalized interest as a result of placing a portion of the Rego Park II property into service during 2009.

Results of Operations – Year Ended December 31, 2009 Compared to December 31, 2008 - continued

Net Loss on Early Extinguishment of Debt

Net loss on early extinguishment of debt was $519,000 in the year ended December 31, 2009 and resulted from the open market purchases of our Kings Plaza debt of $11,948,000 for $12,467,000 in cash.

Income Tax Benefit (Expense)

In the year ended December 31, 2009, we had an income tax benefit of $36,935,000, compared to an expense of $941,000 in the year ended December 31, 2008. The tax benefit in 2009 was due to the reversal of a portion of the liability for income taxes due to the expiration of the applicable statute of limitations. The tax expense in 2008 relates primarily to the interest income of our taxable REIT subsidiary which was liquidated in 2008.

Net Income Attributable to the Noncontrolling Interest

Net income attributable to the noncontrolling interest was $751,000 in the year ended December 31, 2009, compared to $7,000 in the year ended December 31, 2008, and represents our venture partner's 75% pro rata share of net income from our consolidated partially owned entity, the Kings Plaza energy plant joint venture.

Related Party Transactions

Vornado

At December 31, 2010, Vornado owned 32.4% 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. Steven Roth is the Chairman of our Board of Directors and Chief Executive Officer, the Managing General Partner of Interstate Properties ("Interstate"), a New Jersey general partnership, and the Chairman of the Board of Trustees of Vornado. At December 31, 2010, 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 2.3% they indirectly own through Vornado. Michael D. Fascitelli, President and Chief Executive Officer of Vornado, is our President and a member of our Board of Directors. Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Vornado.

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) $248,000, 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 a minimum guaranteed fee 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% (1.99% at December 31, 2010).

Other Agreements

We have 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 is a summary of fees to Vornado under the agreements discussed above.

(Amounts in thousands)	Year Ended December 31,		
	2010	**2009**	**2008**
Company management fees	$ 3,000	$ 3,000	$ 3,000
Development fees	727	3,215	6,520
Leasing fees	4,267	15,975	2,946
Property management fees and payments for cleaning, engineering and security services	4,342	4,108	4,146
	$ 12,336	$ 26,298	$ 16,612

As a result of the substantial completion of the Rego Park II construction, we paid Vornado the unpaid balance of the development fee of $13,934,000 in the fourth quarter of 2010. At December 31, 2010, we owed Vornado $41,888,000 for leasing fees and $1,897,000 for management, property management and cleaning fees.

31

LIQUIDITY AND CAPITAL RESOURCES

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

Development Projects

The Rego Park II property, a newly developed 615,000 square foot shopping center, is located adjacent to our Rego Park I property in Queens, New York. As of December 31, 2010, 89% of the center is in service. In December 2010, we repaid a portion of the construction loan and extended its maturity date to December 2011. The loan has a balance of $277,200,000 at December 31, 2010 and bears interest at LIBOR plus 1.20% (1.46% at December 31, 2010).

Insurance

We maintain general liability insurance with limits of $300,000,000 per occurrence and all-risk property and rental value insurance coverage with limits of $1.7 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods and earthquakes on each of our properties. There can be no assurance that we will be able to maintain similar levels of insurance coverage in the future in amounts and on terms that are commercially reasonable. We are responsible for deductibles and losses in excess of our insurance coverage, which could be material.

Our mortgage loans are non-recourse to us, except for $75,000,000 of the $320,000,000 mortgage on our 731 Lexington Avenue property, in the event of a substantial casualty, as defined. Our mortgage loans contain customary covenants requiring us to maintain insurance. If lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance our properties.

Dividends

On January 12, 2011, we increased our regular quarterly dividend to $3.00 per share (an indicated annual rate of $12.00 per share). This dividend policy, if continued for all of 2011, would require us to pay out approximately $61,300,000.

32

LIQUIDITY AND CAPITAL RESOURCES – continued

Debt and Contractual Obligations

Below is a summary of our outstanding debt at December 31, 2010.

(Amounts in thousands)	**Interest**