ALEXANDERS INC
Form 10-Q
November 03, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended: **September 30, 2014**

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 (State or other jurisdiction of incorporation or organization)	**51-0100517** (I.R.S. Employer Identification Number)
210 Route 4 East, Paramus, New Jersey (Address of principal executive offices)	**07652** (Zip Code)

(201) 587-8541

(Registrant's telephone number, including area code)

N/A

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

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

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). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an 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.

oLarge 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 Exchange Act). o Yes x No

As of October 31, 2014, there were 5,106,196 shares of common stock, par value $1 per share, outstanding.

ALEXANDER'S, INC.
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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(Amounts in thousands, except share and per share amounts)

ASSETS	**September 30, 2014**	**December 31, 2013**
Real estate, at cost:		
Land	$ 44,971	$ 44,971
Buildings and leasehold improvements	871,231	869,681
Development and construction in progress	56,543	4,924
Total	972,745	919,576
Accumulated depreciation and amortization	(203,861)	(185,375)
Real estate, net	768,884	734,201
Cash and cash equivalents	308,976	347,718
Restricted cash	84,750	90,044
Marketable securities	34,166	31,522
Tenant and other receivables, net of allowance for doubtful accounts of $1,487 and $1,993, respectively	2,387	2,925
Receivable arising from the straight-lining of rents	179,306	177,401
Deferred lease and other property costs, net, including unamortized leasing fees to Vornado of $34,892 and $36,728, respectively	47,713	50,273
Deferred debt issuance costs, net of accumulated amortization of $10,610 and $19,187, respectively	5,499	3,246
Other assets	33,756	20,394
	$ 1,465,437	$ 1,457,724
LIABILITIES AND EQUITY		
Mortgages payable	$ 1,033,541	$ 1,049,959
Amounts due to Vornado	44,179	43,307
Accounts payable and accrued expenses	48,348	27,450
Other liabilities	2,994	3,427
Total liabilities	1,129,062	1,124,143
Commitments and contingencies		
Preferred stock: $1.00 par value per share; authorized, 3,000,000 shares; issued and outstanding, none	-	-

Common stock: $1.00 par value per share; authorized, 10,000,000 shares;		
issued, 5,173,450 shares; outstanding, 5,106,196 shares	5,173	5,173
Additional capital	30,139	29,745
Retained earnings	297,454	297,515
Accumulated other comprehensive income	3,983	1,522
	336,749	333,955
Treasury stock: 67,254 shares, at cost	(374)	(374)
Total equity	336,375	333,581
	$ 1,465,437	$ 1,457,724

See notes to consolidated financial statements (unaudited).

ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(Amounts in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
REVENUES				
Property rentals	$ 33,984	$ 33,918	$ 102,166	$ 101,759
Expense reimbursements	16,093	15,968	47,362	44,204
Total revenues	50,077	49,886	149,528	145,963
EXPENSES				
Operating, including fees to Vornado of $1,223, $1,084, $3,369 and $3,068, respectively	17,299	16,978	50,939	47,135
Depreciation and amortization	7,271	7,272	21,812	21,730
General and administrative, including management fees to Vornado of $595 and $1,785 in each three and nine month period	1,127	1,219	3,872	3,858
Total expenses	25,697	25,469	76,623	72,723
OPERATING INCOME	24,380	24,417	72,905	73,240
Interest and other income, net	409	374	1,235	1,147
Interest and debt expense	(7,446)	(11,140)	(24,720)	(33,428)
Income before income taxes	17,343	13,651	49,420	40,959
Income tax benefit	349	173	344	166
Net income	$ 17,692	$ 13,824	$ 49,764	$ 41,125
Net income per common share – basic and diluted	$ 3.46	$ 2.71	$ 9.74	$ 8.05
Weighted average shares outstanding	5,111,201	5,109,717	5,110,435	5,108,832
Dividends per common share	$ 3.25	$ 2.75	$ 9.75	$ 8.25

See notes to consolidated financial statements (unaudited).

ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(Amounts in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Net income	$ 17,692	$ 13,824	$ 49,764	$ 41,125
Other comprehensive income:				
Change in unrealized net gain on available-for-sale securities	(1,563)	(2,425)	2,644	(996)
Change in value of interest rate cap	(30)	-	(183)	-
Comprehensive income	$ 16,099	$ 11,399	$ 52,225	$ 40,129

See notes to consolidated financial statements (unaudited).

ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)
(Amounts in thousands)

	Common Stock		Additional	Retained	Accumulated Other Comprehensive	Treasury	Total
	Shares	Amount	Capital	Earnings	Income	Stock	Equity
Balance, December 31, 2012	5,173	$ 5,173	$ 29,352	$ 296,797	$ 1,206	$ (375)	$ 332,153
Net income	-	-	-	41,125	-	-	41,125
Dividends paid	-	-	-	(42,145)	-	-	(42,145)
Change in unrealized net gain on available-for-sale securities	-	-	-	-	(996)	-	(996)
Deferred stock unit grant	-	-	394	-	-	-	394
Other	-	-	(1)	-	-	1	-
Balance, September 30, 2013	5,173	$ 5,173	$ 29,745	$ 295,777	$ 210	$ (374)	$ 330,531
Balance, December 31, 2013	5,173	$ 5,173	$ 29,745	$ 297,515	$ 1,522	$ (374)	$ 333,581
Net income	-	-	-	49,764	-	-	49,764
Dividends paid	-	-	-	(49,825)	-	-	(49,825)
Change in unrealized net gain on available-for-sale securities	-	-	-	-	2,644	-	2,644
Change in value of interest rate cap	-	-	-	-	(183)	-	(183)
Deferred stock unit grant	-	-	394	-	-	-	394
Balance, September 30, 2014	5,173	$ 5,173	$ 30,139	$ 297,454	$ 3,983	$ (374)	$ 336,375

See notes to consolidated financial statements (unaudited).

ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Amounts in thousands)

	Nine Months Ended September 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	**2014**	**2013**
Net income	$ 49,764	$ 41,125
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including amortization of debt issuance costs	23,838	23,535
Straight-lining of rental income	(1,905)	(3,022)
Stock-based compensation expense	394	394
Reversal of income tax liability	(420)	(206)
Change in operating assets and liabilities:		
Tenant and other receivables, net	538	(348)
Other assets	(14,345)	(10,036)
Amounts due to Vornado	872	(2,413)
Accounts payable and accrued expenses	7,686	5,274
Other liabilities	(13)	(40)
Net cash provided by operating activities	66,409	54,263
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress and real estate additions	(39,957)	(5,931)
Restricted cash	5,294	(75)
Net cash used in investing activities	(34,663)	(6,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt repayments	(316,418)	(11,870)
Proceeds from borrowing	300,000	-
Dividends paid	(49,825)	(42,145)
Debt issuance costs	(4,245)	(85)
Net cash used in financing activities	(70,488)	(54,100)
Net decrease in cash and cash equivalents	(38,742)	(5,843)
Cash and cash equivalents at beginning of period	347,718	353,396
Cash and cash equivalents at end of period	$ 308,976	$ 347,553
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest, excluding capitalized interest of $265 in 2014	$ 24,062	$ 31,695
NON-CASH TRANSACTIONS		
Liability for real estate additions included in accounts payable and accrued expenses	$ 14,296	$ 1,458
Write-off of fully amortized and depreciated assets	10,569	-

See notes to consolidated financial statements (unaudited).

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Organization

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 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).

2. Basis of Presentation

The accompanying consolidated financial statements are unaudited and include the accounts of Alexander's and its consolidated subsidiaries. All intercompany amounts have been eliminated. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. These condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission (the "SEC") and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC.

We have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the operating results for the full year. Certain prior year balances have been reclassified in order to conform to current year presentation.

We currently operate in one business segment.

3. Recently Issued Accounting Literature

In April 2014, the Financial Accounting Standards Board ("FASB") issued an update ("ASU 2014-08") *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* to Accounting Standards Codification ("ASC") Topic 205, *Presentation of Financial Statements* and ASC Topic 360, *Property Plant and Equipment*. Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity's results and operations would qualify as discontinued operations. In addition, ASU 2014-08 expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. ASU 2014-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2014. The adoption of this update on January 1, 2015 is not expected to have any impact on our consolidated financial statements.

In May 2014, the FASB issued an update ("ASU 2014-09") establishing ASC Topic 606 *Revenue from Contracts with Customers*. ASU 2014-09 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. ASU 2014-09 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2016. We are currently evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

4. Relationship with Vornado

At September 30, 2014, 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.

Management and Development Agreements

We pay Vornado an annual management fee equal to the sum of (i) $2,800,000, (ii) 2% of gross revenue from the Rego Park II shopping center, (iii) $0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue and (iv) $280,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue. Vornado is also entitled to a development fee equal to 6% of development costs, as defined.

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 one-year LIBOR plus 1.0% (1.58% at September 30, 2014).

Other Agreements

We also have agreements with Building Maintenance Services, a wholly owned subsidiary of Vornado, to supervise (i) cleaning, engineering and security services at our Lexington Avenue property and (ii) security services at our Rego Park I and Rego Park II properties, for an annual fee equal to the cost of such services plus 6%.

The following is a summary of fees to Vornado under the various agreements discussed above.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	2014	2013	2014	2013
Company management fees	$ 700	$ 700	$ 2,100	$ 2,100
Development fees	1,714	-	2,463	-
Leasing fees	911	225	1,275	903
Property management fees and payments for cleaning, engineering and security services	1,012	881	2,723	2,498

	$ 4,337	$ 1,806	$ 8,561	$ 5,501

At September 30, 2014, we owed Vornado $41,197,000 for leasing fees, $2,463,000 for development fees and $519,000 for management, property management, cleaning and security fees.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

5. Rego Park II Apartment Tower

Above our Rego Park II shopping center, we are in the process of constructing an apartment tower that will contain approximately 300 units aggregating 250,000 square feet, which is expected to be completed in 2015. The estimated cost of this project is approximately $125,000,000, of which $54,029,000 has been incurred as of September 30, 2014. There can be no assurance that the project will be completed on schedule, or within budget.

6. Marketable Securities

As of September 30, 2014 and December 31, 2013, we owned 535,265 common shares of The Macerich Company ("Macerich") (NYSE: MAC), which were received in connection with the sale of the Kings Plaza Regional Shopping Center to Macerich in November 2012. These shares have an economic cost of $56.05 per share, or $30,000,000 in the aggregate. As of September 30, 2014 and December 31, 2013, the fair values of these shares were $34,166,000 and $31,522,000, respectively, based on Macerich's closing share price of $63.83 per share and $58.89 per share, respectively. These shares are included in "marketable securities" on our consolidated balance sheets and are classified as available-for-sale. Available-for-sale securities are presented at fair value and unrealized gains and losses resulting from the mark-to-market of these securities are included in "other comprehensive income."

7. Significant Tenants

Bloomberg L.P. ("Bloomberg") accounted for $67,488,000 and $65,938,000, representing 45% of our total revenues in each of the nine-month periods ended September 30, 2014 and 2013, respectively. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition. In order to assist us in our continuing assessments of Bloomberg's creditworthiness, we receive and evaluate certain confidential financial information and metrics provided by 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.

In October 2014, Bloomberg exercised its option to extend leases that were scheduled to expire in 2015 covering 188,608 square feet of office space at our 731 Lexington Avenue property for a term of 5 years. We are currently in negotiations with Bloomberg to determine the rental rate for the extension period.

8. Stock-Based Compensation

We account for stock-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*. Our Omnibus Stock Plan (the "Plan") provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights, deferred stock units ("DSUs") and performance shares, as defined, to the directors, officers and employees of the Company and Vornado.

In May 2014, we granted each of the members of our Board of Directors 212 DSUs with a grant date fair value of $56,250 per grant, or $394,000 in the aggregate. The DSUs entitle the holder to receive shares of our common stock without the payment of any consideration. The DSUs vested immediately and accordingly, were expensed on the date of grant, but the shares of common stock underlying the DSUs are not deliverable to the grantee until the grantee is no longer serving on our Board of Directors.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

9. Mortgages Payable

On February 28, 2014, we completed a $300,000,000 refinancing of the office portion of 731 Lexington Avenue. The interest-only loan is at LIBOR plus 0.95% and matures in March 2017, with four one-year extension options. The proceeds of the new loan and existing cash were used to repay the existing loan and closing costs. In connection therewith, we purchased an interest rate cap with a notional amount of $300,000,000 that caps LIBOR at a rate of 6.0%.

The following is a summary of our outstanding mortgages payable. We intend to refinance our maturing debt as it comes due.

(Amounts in thousands)	Maturity[1]	Interest Rate at September 30, 2014	Balance at September 30, 2014	Balance at December 31, 2013
First mortgages secured by:				
Rego Park I shopping center (100% cash collateralized)	Mar. 2015	0.40 %	$ 78,246	$ 78,246
731 Lexington Avenue, retail space[2]	Jul. 2015	4.93 %	320,000	320,000
Paramus	Oct. 2018	2.90 %	68,000	68,000
Rego Park II shopping center[3]	Nov. 2018	2.00 %	267,295	269,496
731 Lexington Avenue, office space	Mar. 2021	1.10 %	300,000	314,217
			$ 1,033,541	$ 1,049,959

(1) Represents the extended maturity where we have the unilateral right to extend.
(2) This loan is non-recourse to us, except for $75,000 in the event of a substantial casualty, as defined.
(3) This loan bears interest at LIBOR plus 1.85%.

10. Fair Value Measurements

ASC 820, *Fair Value Measurement and Disclosures* defines fair value and establishes a framework for measuring fair value. ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 – unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in our assessment of fair value.

Financial Assets and Liabilities Measured at Fair Value

Financial assets measured at fair value on our consolidated balance sheets at September 30, 2014 and December 31, 2013, consist of marketable securities and an interest rate cap, which are presented in the table below, based on their level in the fair value hierarchy. There were no financial liabilities measured at fair value at September 30, 2014 and December 31, 2013.

	As of September 30, 2014			
(Amounts in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$ 34,166	$ 34,166	$ -	$ -
Interest rate cap (included in other assets)	17	-	17	-
Total assets	$ 34,183	$ 34,166	$ 17	$ -
	As of December 31, 2013			
(Amounts in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$ 31,522	$ 31,522	$ -	$ -

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

10. Fair Value Measurements - continued

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash equivalents, mortgages payable and leasing commissions due to Vornado. Cash equivalents are carried at cost, which approximates fair value due to their short-term maturities. The fair value of our mortgages payable is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist. The leasing commissions due to Vornado are carried at cost plus interest at variable rates, which approximate fair value. The fair value of cash equivalents is classified as Level 1 and the fair value of mortgages payable and leasing commissions due to Vornado is classified as Level 2. The table below summarizes the carrying amounts and fair value of these financial instruments as of September 30, 2014 and December 31, 2013.

	As of September 30, 2014		As of December 31, 2013	
(Amounts in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash equivalents	$ 300,193	$ 300,193	$ 184,796	$ 184,796
Liabilities:				
Mortgages payable	$ 1,033,541	$ 1,029,000	$ 1,049,959	$ 1,072,000
Leasing commissions (included in amounts due to Vornado)	41,197	41,000	42,924	43,000
	$ 1,074,738	$ 1,070,000	$ 1,092,883	$ 1,115,000

11. Commitments and Contingencies

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 acts of terrorism, with sub-limits for certain perils such as floods and earthquakes on each of our properties.

Fifty Ninth Street Insurance Company, LLC ("FNSIC"), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ("NBCR") acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act of 2007, which expires in December 2014. Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a $275,000 deductible and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future. 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. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. If lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance our properties.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

11. Commitments and Contingencies – continued

Litigation

Rego Park I

On June 24, 2014, Sears Roebuck and Co. ("Sears") filed a lawsuit in the Supreme Court of the State of New York against Vornado and us (and certain of our subsidiaries) with regard to space that Sears leases at our Rego Park I property. Sears alleges that the defendants are liable for harm Sears has suffered as a result of (a) water intrusions into the premises Sears leases, (b) two fires in February 2014 that caused damages to those premises, and (c) alleged violations of the Americans with Disabilities Act in the premises' parking garage. Sears asserts various causes of actions for damages and seeks to compel compliance with landlord's obligations to repair the premises and to provide security, and to compel us to abate a nuisance that Sears claims was a cause of the water intrusions into its premises. In addition to injunctive relief, Sears seeks, among other things, damages of not less than $4 million and future damages it estimates will be not less than $25 million. We intend to defend the claims vigorously; the amount or range of reasonably possible losses, if any, cannot be estimated.

Flushing

In 2002, Flushing Expo, Inc. ("Expo") agreed to purchase the stock of the entity which owns the Flushing property from us ("Purchase of the Property") and gave us a non-refundable deposit of $1,875,000. Pursuant to a stipulation of settlement, we settled the action Expo brought against us regarding the Purchase of the Property and in June 2011, deposited the settlement amount with the Court, in exchange for which we received a stipulation of discontinuance, with prejudice, as well as general releases. In November 2011, Expo filed another action, this time against our tenant at the Flushing property asserting, among other things, that such tenant interfered with Expo's Purchase of the Property from us and sought $50,000,000 in damages from our tenant, who sought indemnification from us for such amount. In August 2012, the Court entered judgment denying Expo's claim for damages. Expo filed a motion to re-argue the decision, which the Court denied on December 7, 2012. Expo appealed the Court's August 2012 decision, which the Court denied on April 16, 2014.

Paramus

In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a purchase option in 2021 for $75,000,000. The property is encumbered by a $68,000,000 interest-only mortgage loan with a fixed rate of 2.90%, which matures in October 2018. 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 gain on sale of land of approximately $60,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years would include debt service sufficient to fully amortize $68,000,000 over the remaining 20-year lease term.

Letters of Credit

Approximately $3,308,000 of standby letters of credit were outstanding as of September 30, 2014.

Other

There are various other legal actions against us in the ordinary course of business. In our opinion, the outcome of such matters in the aggregate will not have a material effect on our financial condition, results of operations or cash flows.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

12. Earnings Per Share

The following table sets forth the computation of basic and diluted income per share, including a reconciliation of net income and the number of shares used in computing basic and diluted income per share. Basic income per share is determined using the weighted average shares of common stock (including DSUs) outstanding during the period. Diluted income per share is determined using the weighted average shares of common stock (including DSUs) outstanding during the period, and assumes all potentially dilutive securities were converted into common shares at the earliest date possible. There were no potentially dilutive securities outstanding during the three and nine months ended September 30, 2014 and 2013.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands, except share and per share amounts)	**2014**	**2013**	**2014**	**2013**
Net income	$ 17,692	$ 13,824	$ 49,764	$ 41,125
Weighted average shares outstanding – basic and diluted	5,111,201	5,109,717	5,110,435	5,108,832
Net income per common share – basic and diluted	$ 3.46	$ 2.71	$ 9.74	$ 8.05

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Alexander's, Inc.

Paramus, New Jersey

We have reviewed the accompanying consolidated balance sheet of Alexander's, Inc. and subsidiaries (the "Company") as of September 30, 2014, and the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2014 and 2013, and changes in equity and cash flows for the nine-month periods ended September 30, 2014 and 2013. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Alexander's, Inc. and subsidiaries as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended (not presented herein); and in our report dated February 24, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2013 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
November 3, 2014

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained in this Quarterly Report constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Our future results, financial condition, results of operations and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans," "would," "may" or other similar e in this Quarterly Report on Form 10 Q. These forward-looking statements represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. For a further discussion of factors that could materially affect the outcome of our forward-looking statements, see "Item 1A - Risk Factors" in our Annual Report on Form 10 K for the year ended December 31, 2013. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q.

Management's Discussion and Analysis of Financial Condition and Results of Operations include a discussion of our consolidated financial statements for the three and nine months ended September 30, 2014 and 2013. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the operating results for the full year. Certain prior year balances have been reclassified in order to conform to current year presentation.

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2013 in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 2 – Summary of Significant Accounting Policies" to the consolidated financial statements included therein. There have been no significant changes to these policies during 2014.

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Overview

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", re 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 six 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.

Quarter Ended September 30, 2014 Financial Results Summary

Net income for the quarter ended September 30, 2014 was $17,692,000, or $3.46 per diluted share, compared to $13,824,000, or $2.71 per diluted share for the quarter ended September 30, 2013. Funds from operations ("FFO") for the quarter ended September 30, 2014 was $24,928,000, or $4.88 per diluted share, compared to $21,048,000, or $4.12 per diluted share for the prior year's quarter.

Nine Months Ended September 30, 2014 Financial Results Summary

Net income for the nine months ended September 30, 2014 was $49,764,000, or $9.74 per diluted share, compared to $41,125,000, or $8.05 per diluted share for the nine months ended September 30, 2013. FFO for the nine months ended September 30, 2014 was $71,472,000, or $13.99 per diluted share, compared to $62,702,000, or $12.27 per diluted share for the prior year's nine months.

Square Footage, Occupancy and Leasing Activity

As of September 30, 2014 and December 31, 2013, our portfolio was comprised of six properties aggregating 2,178,000 square feet that had an occupancy rate of 99.7% and 99.4%, respectively. In the three and nine months

ended September 30, 2014 we leased 6,603 square feet with an initial rent of $85.00 per square foot and a lease term of 15.5 years.

Financing

On February 28, 2014, we completed a $300,000,000 refinancing of the office portion of 731 Lexington Avenue. The interest-only loan is at LIBOR plus 0.95% (1.10% at September 30, 2014) and matures in March 2017, with four one-year extension options. The proceeds of the new loan and existing cash were used to repay the existing loan and closing costs. In connection therewith, we purchased an interest rate cap with a notional amount of $300,000,000 that caps LIBOR at a rate of 6.0%.

Significant Tenants

Bloomberg, L.P. ("Bloomberg") accounted for $67,488,000 and $65,938,000, representing 45% of our total revenues in each of the nine-month periods ended September 30, 2014 and 2013, respectively. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition. In order to assist us in our continuing assessments of Bloomberg's creditworthiness, we receive and evaluate certain confidential financial information and metrics provided by 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.

In October 2014, Bloomberg exercised its option to extend leases that were scheduled to expire in 2015 covering 188,608 square feet of office space at our 731 Lexington Avenue property for a term of 5 years. We are currently in negotiations with Bloomberg to determine the rental rate for the extension period.

Results of Operations – Three Months Ended September 30, 2014, compared to September 30, 2013

Property Rentals

Property rentals were $33,984,000 in the quarter ended September 30, 2014, compared to $33,918,000 in the prior year's quarter, an increase of $66,000.

Expense Reimbursements

Tenant expense reimbursements were $16,093,000 in the quarter ended September 30, 2014, compared to $15,968,000 in the prior year's quarter, an increase of $125,000. This increase was primarily due to higher real estate taxes, partially offset by lower reimbursable operating expenses.

Operating Expenses

Operating expenses were $17,299,000 in the quarter ended September 30, 2014, compared to $16,978,000 in the prior year's quarter, an increase of $321,000. This increase was comprised of higher reimbursable real estate taxes of $779,000 and higher non-reimbursable operating expenses of $161,000, partially offset by lower reimbursable operating expenses of $619,000.

Depreciation and Amortization

Depreciation and amortization was $7,271,000 in the quarter ended September 30, 2014, compared to $7,272,000 in the prior year's quarter, a decrease of $1,000.

General and Administrative Expenses

General and administrative expenses were $1,127,000 in the quarter ended September 30, 2014, compared to $1,219,000 in the prior year's quarter, a decrease of $92,000. This decrease was primarily due to lower professional fees.

Interest and Other Income, net

Interest and other income, net was $409,000 in the quarter ended September 30, 2014, compared to $374,000 in the prior year's quarter, an increase of $35,000. This increase was primarily due to higher dividends on our common

shares of The Macerich Company (“Macerich”).

Interest and Debt Expense

Interest and debt expense was $7,446,000 in the quarter ended September 30, 2014, compared to $11,140,000 in the prior year’s quarter, a decrease of $3,694,000. This decrease was primarily due to savings resulting from the refinancing of the office portion of 731 Lexington Avenue on February 28, 2014 at LIBOR plus 0.95% (1.10% at September 30, 2014). The prior loan had a fixed rate of 5.33%.

Income Tax Benefit

Income tax benefit was $349,000 in the quarter ended September 30, 2014, compared to $173,000 in the prior year’s quarter, an increase of $176,000. This increase resulted from a larger reversal of tax liabilities in the current year’s quarter as compared to the prior year’s quarter. These liabilities were reversed as a result of the expiration of the applicable statute of limitations.

Results of Operations – Nine Months Ended September 30, 2014, compared to September 30, 2013

Property Rentals

Property rentals were $102,166,000 in the nine months ended September 30, 2014, compared to $101,759,000 in the prior year's nine months, an increase of $407,000.

Expense Reimbursements

Tenant expense reimbursements were $47,362,000 in the nine months ended September 30, 2014, compared to $44,204,000 in the prior year's nine months, an increase of $3,158,000. This increase was primarily due to higher reimbursable operating expenses and real estate taxes.

Operating Expenses

Operating expenses were $50,939,000 in the nine months ended September 30, 2014, compared to $47,135,000 in the prior year's nine months, an increase of $3,804,000. This increase was comprised of higher reimbursable real estate taxes and operating expenses of $2,370,000 and $397,000, respectively, and higher non-reimbursable operating expenses of $1,037,000.

Depreciation and Amortization

Depreciation and amortization was $21,812,000 in the nine months ended September 30, 2014, compared to $21,730,000 in the prior year's nine months, an increase of $82,000.

General and Administrative Expenses

General and administrative expenses were $3,872,000 in the nine months ended September 30, 2014, compared to $3,858,000 in the prior year's nine months, an increase of $14,000.

Interest and Other Income, net

Interest and other income, net was $1,235,000 in the nine months ended September 30, 2014, compared to $1,147,000 in the prior year's nine months, an increase of $88,000. This increase was primarily due to higher dividends on our Macerich common shares.

Interest and Debt Expense

Interest and debt expense was $24,720,000 in the nine months ended September 30, 2014, compared to $33,428,000 in the prior year's nine months, a decrease of $8,708,000. This decrease was primarily due to savings resulting from the refinancing of the office portion of 731 Lexington Avenue on February 28, 2014 at LIBOR plus 0.95% (1.10% at September 30, 2014). The prior loan had a fixed rate of 5.33%.

Income Tax Benefit

Income tax benefit was $344,000 in the nine months ended September 30, 2014, compared to $166,000 in the prior year's nine months, an increase of $178,000. This increase resulted from a larger reversal of tax liabilities in the current year's nine months as compared to the prior year's nine months. These liabilities were reversed as a result of the expiration of the applicable statute of limitations.

Liquidity and Capital Resources

Cash Flows

Property rental income is our primary source of cash flow and is dependent on a number of factors including the occupancy level and rental rates of our properties, as well as our tenants' ability to pay their rents. Our properties provide us with a relatively consistent stream of cash flow that enables us to pay our operating expenses, interest expense, recurring capital expenditures and cash dividends to stockholders. Other sources of liquidity to fund cash requirements include our existing cash, proceeds from financings, including mortgage or construction loans secured by our properties and proceeds from asset sales. 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, recurring capital expenditures and development expenditures related to the Rego Park II apartment tower.

We have no debt maturing in 2014. During 2015, $398,246,000 of our debt is scheduled to mature, of which $78,246,000 is cash collateralized. We intend to refinance our maturing debt as it comes due.

Development Project

Above our Rego Park II shopping center, we are in the process of constructing an apartment tower that will contain approximately 300 units aggregating 250,000 square feet, which is expected to be completed in 2015. The estimated cost of this project is approximately $125,000,000, of which $54,029,000 has been incurred as of September 30, 2014. There can be no assurance that the project will be completed on schedule, or within budget.

Nine Months Ended September 30, 2014

Cash and cash equivalents were $308,976,000 at September 30, 2014, compared to $347,718,000 at December 31, 2013, a decrease of $38,742,000. This decrease resulted from $70,488,000 of net cash used in financing activities and $34,663,000 of net cash used in investing activities, partially offset by $66,409,000 of net cash provided by operating activities.

Net cash provided by operating activities of $66,409,000 was comprised of net income of $49,764,000 and adjustments for non-cash items of $21,907,000, partially offset by the net change in operating assets and liabilities of $5,262,000. The adjustments for non-cash items were comprised of (i) depreciation and amortization of $23,838,000 and (ii) stock-based compensation expense of $394,000, partially offset by (iii) straight-lining of rental income of $1,905,000 and (iv) a $420,000 reversal of the liability for income taxes.

Net cash used in investing activities of $34,663,000 was comprised of capital expenditures of $39,957,000 (primarily Rego Park II apartment tower), partially offset by a decrease in restricted cash of $5,294,000.

Net cash used in financing activities of $70,488,000 was primarily comprised of (i) debt repayments of $316,418,000 (primarily repayment of the loan on the office portion of 731 Lexington Avenue) and (ii) dividends paid of $49,825,000, partially offset by (iii) $300,000,000 of proceeds from the refinancing of the office portion of 731 Lexington Avenue.

Liquidity and Capital Resources – continued

Nine Months Ended September 30, 2013

Cash and cash equivalents were $347,553,000 at September 30, 2013, compared to $353,396,000 at December 31, 2012, a decrease of $5,843,000. This decrease resulted from $54,100,000 of net cash used in financing activities and $6,006,000 of net cash used in investing activities, partially offset by $54,263,000 of net cash provided by operating activities.

Net cash provided by operating activities of $54,263,000 was comprised of net income of $41,125,000 and adjustments for non-cash items of $20,701,000, partially offset by the net change in operating assets and liabilities of $7,563,000. The adjustments for non-cash items were comprised of (i) depreciation and amortization of $23,535,000 and (ii) stock-based compensation expense of $394,000, partially offset by (iii) straight-lining of rental income of $3,022,000 and (iv) a $206,000 reduction of the liability for income taxes.

Net cash used in investing activities of $6,006,000 was primarily comprised of capital expenditures of $5,931,000.

Net cash used in financing activities of $54,100,000 was primarily comprised of dividends paid on common stock of $42,145,000 and debt repayments of $11,870,000.

Commitments and Contingencies

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 acts of terrorism, with sub-limits for certain perils such as floods and earthquakes on each of our properties.

Fifty Ninth Street Insurance Company, LLC (“FNSIC”), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological (“NBCR”) acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act of 2007, which expires in December 2014. Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a $275,000 deductible and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future. 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. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. If lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance our properties.

Liquidity and Capital Resources – continued

Litigation

Rego Park I

On June 24, 2014, Sears Roebuck and Co. ("Sears") filed a lawsuit in the Supreme Court of the State of New York against Vornado and us (and certain of our subsidiaries) with regard to space that Sears leases at our Rego Park I property. Sears alleges that the defendants are liable for harm Sears has suffered as a result of (a) water intrusions into the premises Sears leases, (b) two fires in February 2014 that caused damages to those premises, and (c) alleged violations of the Americans with Disabilities Act in the premises' parking garage. Sears asserts various causes of actions for damages and seeks to compel compliance with landlord's obligations to repair the premises and to provide security, and to compel us to abate a nuisance that Sears claims was a cause of the water intrusions into its premises. In addition to injunctive relief, Sears seeks, among other things, damages of not less than $4 million and future damages it estimates will be not less than $25 million. We intend to defend the claims vigorously; the amount or range of reasonably possible losses, if any, cannot be estimated.

Flushing

In 2002, Flushing Expo, Inc. ("Expo") agreed to purchase the stock of the entity which owns the Flushing property from us ("Purchase of the Property") and gave us a non-refundable deposit of $1,875,000. Pursuant to a stipulation of settlement, we settled the action Expo brought against us regarding the Purchase of the Property and in June 2011, deposited the settlement amount with the Court, in exchange for which we received a stipulation of discontinuance, with prejudice, as well as general releases. In November 2011, Expo filed another action, this time against our tenant at the Flushing property asserting, among other things, that such tenant interfered with Expo's Purchase of the Property from us and sought $50,000,000 in damages from our tenant, who sought indemnification from us for such amount. In August 2012, the Court entered judgment denying Expo's claim for damages. Expo filed a motion to re-argue the decision, which the Court denied on December 7, 2012. Expo appealed the Court's August 2012 decision, which the Court denied on April 16, 2014.

Paramus

In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a purchase option in 2021 for $75,000,000. The property is encumbered by a $68,000,000 interest-only mortgage loan with a fixed rate of 2.90%, which matures in October 2018. 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 gain on sale of land of approximately $60,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years would include debt service sufficient to fully amortize $68,000,000 over the remaining 20-year lease term.

Letters of Credit

Approximately $3,308,000 of standby letters of credit were outstanding as of September 30, 2014.

Other

There are various other legal actions against us in the ordinary course of business. In our opinion, the outcome of such matters in the aggregate will not have a material effect on our financial condition, results of operations or cash flows.

Funds from Operations (“FFO”)

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”). NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gains from sales of depreciated real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets, extraordinary items and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flow as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies. A reconciliation of our net income to FFO is provided below.

FFO for the Three and Nine Months Ended September 30, 2014 and 2013

FFO for the quarter ended September 30, 2014 was $24,928,000, or $4.88 per diluted share, compared to $21,048,000, or $4.12 per diluted share for the prior year’s quarter.

FFO for the nine months ended September 30, 2014 was $71,472,000, or $13.99 per diluted share, compared to $62,702,000, or $12.27 per diluted share for the prior year’s nine months.

The following table reconciles our net income to FFO:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands, except share and per share amounts)	**2014**	**2013**	**2014**	**2013**
Net income	$ 17,692	$ 13,824	$ 49,764	$ 41,125
Depreciation and amortization of real property	7,236	7,224	21,708	21,577
FFO	$ 24,928	$ 21,048	$ 71,472	$ 62,702
FFO per diluted share	$ 4.88	$ 4.12	$ 13.99	$ 12.27
Weighted average shares used in computing FFO per diluted share	5,111,201	5,109,717	5,110,435	5,108,832

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to fluctuations in interest rates, which are sensitive to many factors that are beyond our control. Our exposure to a change in interest rates is summarized in the table below.

	2014			2013	
(Amounts in thousands, except per share amounts)	September 30, Balance	Weighted Average Interest Rate	Effect of 1% Change in Base Rates	December 31, Balance	Weighted Average Interest Rate
Variable Rate (including $41,197 and $42,924 due to Vornado, respectively)	$ 608,492	1.53%	$ 6,085	$ 312,420	2.00%
Fixed Rate	466,246	3.87%	-	780,463	4.46%
	$ 1,074,738		$ 6,085	$ 1,092,883	
Total effect on diluted earnings per share			$ 1.19		

As of September 30, 2014 we have an interest rate cap with a notional amount of $300,000,000 that caps LIBOR at a rate of 6.0%.

Fair Value of Debt

The fair value of our consolidated debt is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist. As of September 30, 2014 and December 31, 2013, the estimated fair value of our consolidated debt was $1,070,000,000 and $1,115,000,000, respectively. Our fair value estimates, which are made at the end of the reporting period, may be different from the amounts that may ultimately be realized upon the disposition of our financial instruments.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures: Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting: There have not been any changes in our internal control over financial reporting during the fiscal quarter to which this Quarterly Report on Form 10-Q relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

For a discussion of the litigation concerning our Rego Park I and Flushing properties, see "Part I – Financial Information, Item 1 – Financial Statements, Note 11 – Commitments and Contingencies."

Item 1A. Risk Factors

There have been no material changes in our "Risk Factors" as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-K are filed herewith and are listed in the attached Exhibit Index.

SIGNATURES

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

ALEXANDER'S, INC.
(Registrant)

Date: November 3, 2014

By: /s/ Joseph Macnow
Joseph Macnow, Executive Vice President and Chief Financial Officer (duly authorized officer and principal financial and accounting officer)

EXHIBIT INDEX

Exhibit No.			
10.1	-	Loan Agreement, dated as of February 28, 2014, by and between 731 Office One LLC, as Borrower, and German American Capital Corporation, as Lender. Incorporated herein by reference from exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q, filed on May 5, 2014	*
10.2	-	Consolidated, Amended and Restated Promissory Note, dated as of February 28, 2014, by and between 731 Office One LLC, as Borrower, and German American Capital Corporation, as Lender. Incorporated herein by reference from exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q, filed on May 5, 2014	*
10.3	-	Amended and Restated Mortgage, Assignment of Leases and Rents and Security Agreement, dated as of February 28, 2014, by and between 731 Office One LLC, as Mortgagor, and German American Capital Corporation, as Mortgagee. Incorporated herein by reference from exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q, filed on May 5, 2014	*
10.4	-	Assignment of Leases and Rents dated as of February 28, 2014, by and between 731 Office One LLC, as Assignor, and German American Capital Corporation, as Assignee. Incorporated herein by reference from exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q, filed on May 5, 2014	*
10.5	-	Guaranty of Recourse Obligations dated as of February 28, 2014, by and between Alexander's, Inc., as Guarantor, and German American Capital Corporation, as Lender. Incorporated herein by reference from exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q, filed on May 5, 2014	*
10.6	-	Environmental Indemnity Agreement dated as of February 28, 2014, by and between 731 Office One LLC, as Indemnitor, and German American Capital Corporation, as Indemnitee. Incorporated herein by reference from exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q, filed on May 5, 2014	*
10.7	-	Termination Agreement dated as of February 28, 2014, by and among 731 Office One LLC, Alexander's Management LLC, Vornado Realty L.P., 731 Office Two LLC, 731 Residential LLC, 731 Commercial LLC, 731 Retail One LLC and 731 Restaurant LLC. Incorporated herein by reference from exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q, filed on May 5, 2014	*

10.8	-	Real Estate Sub-Retention Agreement dated as of February 28, 2014, by and between Alexander's Management LLC, as Agent, and Vornado Realty L.P., as Sub-Agent. Incorporated herein by reference from exhibit 10.8 to the registrant's Quarterly Report on Form 10-Q, filed on May 5, 2014	*
10.9	-	Sixth Amendment to Amended and Restated Management and Development Agreement, dated as of March 21, 2014, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. Incorporated herein by reference from exhibit 10.9 to the registrant's Quarterly Report on Form 10-Q, filed on May 5, 2014	*
10.10	-	Rego Park II Residential Management and Development Agreement, dated as of March 21, 2014 by and between Alexander's of Rego Residential LLC and Vornado Management Corp. Incorporated herein by reference from exhibit 10.10 to the registrant's Quarterly Report on Form 10-Q, filed on May 5, 2014	*

* Incorporated by reference.

15.1	-	Letter regarding unaudited interim financial information
31.1	-	Rule 13a-14 (a) Certification of the Chief Executive Officer
31.2	-	Rule 13a-14 (a) Certification of the Chief Financial Officer
32.1	-	Section 1350 Certification of the Chief Executive Officer
32.2	-	Section 1350 Certification of the Chief Financial Officer
101.INS	-	XBRL Instance Document
101.SCH	-	XBRL Taxonomy Extension Schema
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase
101.LAB	-	XBRL Taxonomy Extension Label Linkbase
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase