ALEXANDERS INC
Form 10-K
February 26, 2013

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, 2012

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 x NO o

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 website, 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 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.

x Large Accelerated Filer	o 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 $907,163,000 at June 30, 2012.

As of January 31, 2013 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 23, 2013.

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(1) These items are omitted in part or in whole because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission no later than 120 days after December 31, 2012, 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 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,” “ “may” or other similar expressions in this Annual Report on Form 10 K. We also note the following forward-looking statements: in the case of our development projects, the estimated completion date, estimated project costs and costs to complete; 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 occurring after the date of this Annual Report on Form 10-K.

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" refer 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 consisting of:

<u>Operating properties</u>

- 731 Lexington Avenue, 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;

- Rego Park I, a 343,000 square foot shopping center, located on Queens Boulevard and 63rd Road in Queens. The center is anchored by a 195,000 square foot Sears department store, a 50,000 square foot Burlington Coat Factory, a 46,000 square foot Bed Bath & Beyond and a 36,000 square foot Marshalls;

- Rego Park II, a 610,000 square foot shopping center, located adjacent to the Rego Park I shopping center in Queens. The center is anchored by 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;

- Paramus, located at the intersection of Routes 4 and 17 in Paramus, New Jersey, consists of 30.3 acres of land that is leased to IKEA Property, Inc.; and

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

Properties to be developed

- Rego Park II Apartment Tower; we are considering a proposed development containing approximately 300 units aggregating 250,000 square feet, to be constructed above our Rego Park II shopping center. The funding required for the proposed development will be approximately $100,000,000 to $120,000,000. There can be no assurance that the project will commence, or if commenced, be completed on schedule or within budget.

- Rego Park III, a 3.4 acre land parcel adjacent to the Rego Park II shopping center in Queens at the intersection of Junction Boulevard and the Horace Harding Service Road.

Kings Plaza Regional Shopping Center

On November 28, 2012, we completed the sale of the Kings Plaza Regional Shopping Center ("Kings Plaza") located in Brooklyn, New York, to The Macerich Company (NYSE: MAC) ("Macerich"), for $751,000,000. Net proceeds from the sale, after repaying the existing loan and closing costs, were $479,000,000, of which $30,000,000 was in Macerich common shares. The financial statement gain was $601,976,000, of which $599,628,000 was recognized in the fourth quarter and the remaining $2,348,000 was deferred and will be recognized upon the disposition of the Macerich common shares. Prior to the sale, in November 2012, we acquired the remaining 75% interest in our consolidated subsidiary, the Kings Plaza energy plant joint venture (which was sold with Kings Plaza), for $7,800,000 in cash. On November 30, 2012, our Board of Directors declared a special long-term capital gain dividend of $122.00 per share, or $623,178,000 in the aggregate, to distribute the tax gain resulting from the sale of Kings Plaza.

Relationship 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.

At December 31, 2012, 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, 2012, 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, 26.3% of our outstanding common stock, in addition to the 2.1% they indirectly own through Vornado. Michael D. Fascitelli, our President and a member of our Board of Directors, is the President, Chief Executive Officer and a member of the Board of Trustees of Vornado. Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Vornado.

Significant Tenants

Bloomberg accounted for $86,468,000, $84,526,000 and $83,137,000, or 45%, 46% and 48% of our total revenues in the years ended December 31, 2012, 2011 and 2010, respectively. No other tenant accounted for more than 10% of our total 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.

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 affecting 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.

Employees

We currently have 72 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 those 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 Audit Committee Charter, Compensation Committee Charter, Code of Business Conduct and Ethics and 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. The risks and uncertainties described herein may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. See "Forward-Looking Statements" contained herein on page 3.

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 equity securities and any debt securities we may issue in the future, including the state of the capital markets and economy, which over the past few years have negatively affected substantially all businesses, including ours. Demand for office and retail space may continue to decline nationwide as it did in 2008 and 2009, due to bankruptcies, downsizing, layoffs and cost cutting. Government action or inaction may adversely affect the state of the capital markets. 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 affect our financial condition and results of operations and the value of our equity securities and any debt securities we may issue in the future.

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 property owners and developers, some of which may be willing to accept lower returns on their investments than we are. Principal factors of competition include 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 affecting 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 occupancy levels 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.

731 Lexington Avenue accounts for a substantial portion of our revenues. Loss of or damage to the building could adversely affect our financial condition and results of operations.

731 Lexington accounted for $126,034,000, $123,195,000 and $120,587,000, or 66%, 67% and 69% of our total revenues in the years ended December 31, 2012, 2011 and 2010, respectively. Loss of or damage to the building in excess of our insurance coverage, including as a result of a terrorist attack, could adversely affect our results of operations and financial condition.

Bloomberg represents a significant portion of our revenues. Loss of Bloomberg as a tenant or deterioration in Bloomberg's credit quality could adversely affect our financial condition and results of operations.

Bloomberg accounted for $86,468,000, $84,526,000 and $83,137,000, or 45%, 46% and 48% of our total revenues in the years ended December 31, 2012, 2011 and 2010, respectively. No other tenant accounted for more than 10% of our total 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 financial condition and results of operations.

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.

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.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationship with our tenants, and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

We may incur costs to comply with environmental laws.

Our operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused such release. The presence of contamination or the failure to remediate contamination may impair our ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) and underground storage tanks are also regulated by federal and state laws. We are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. We could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or tanks or related claims arising out of environmental contamination or human exposure at or from our properties.

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

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 ("TRIPRA"). Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence. 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 borne by FNSIC.

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 and/or legal fees to their counsel. 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.

A decision to dispose of real estate assets would change the holding period assumption in our valuation analyses, which could result in material impairment losses and adversely affect our financial results.

We evaluate real estate assets for impairment based on the projected cash flow of the asset over our anticipated holding period. If we change our intended holding period, due to our intention to sell or otherwise dispose of an asset, then under accounting principles generally accepted in the United States of America, we must reevaluate whether that asset is impaired. Depending on the carrying value of the property at the time we change our intention and the amount that we estimate we would receive on disposal, we may record an impairment loss that would adversely affect our financial results. This loss could be material to our results of operations in the period that it is recognized.

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 declines in the real estate market in this area could hurt our financial performance and the value of our properties. In addition to the factors affecting the national economic condition generally, 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 business 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, and our most significant property, 731 Lexington Avenue, is located on Lexington Avenue and 59th Street in Manhattan. 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.

Natural Disasters could have a concentrated impact on the area which we operate and could adversely impact our results.

We have a significant investment in the New York metropolitan area. As our investment is concentrated along the Eastern Seaboard, natural disasters, such as those resulting from superstorm Sandy, could impact our properties. Potentially adverse consequences of "global warming" could similarly have an impact on our properties. As a result, we could become subject to significant losses and/or repair costs which may or may not be fully covered by insurance and to the risk of business interruption. The incurrence of these losses, costs or business interruptions may adversely affect our operating and financial results.

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

A 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 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.

We have an investment in marketable equity securities. The value of this investment may decline.

We have an investment in Macerich, a retail shopping center company. As of December 31, 2012, this investment had a carrying amount of $31,206,000. A significant decline in the value of this investment due to, among other reasons, Macerich's operating performance or economic or market conditions, may result in the recognition of an impairment loss, which could be material.

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 our 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, 2012, 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 outstanding debt, and the amount of debt and its cost may increase and refinancing may not be available on acceptable terms.

As of December 31, 2012, total debt outstanding was $1,065,916,000. Our ratio of total debt to total enterprise value was 44.4% at December 31, 2012. "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, 2012, our scheduled cash payments for principal and interest from continuing operations were $58,317,000. 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 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.

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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, Interstate and its three general partners (each of whom are both trustees of Vornado and Directors of Alexander's) together beneficially own approximately 58.7% 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.

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, 2012, Interstate and its partners owned approximately 6.5% of the common shares of beneficial interest of Vornado and approximately 26.3% 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, 2012, Vornado owned 32.4% of our outstanding common stock, in addition to the 26.3% 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;
- our dividend policy;
- 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;
- uncertainty 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 REITs;
- 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 REITs and other real estate related companies;
- domestic and international economic factors unrelated to our performance; and
- all other risk factors addressed elsewhere in this annual report on form 10-K.

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, 2012, 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; of which, 2,080 shares of common stock are reserved for issuance upon redemption of the deferred stock units previously granted to our Board of Directors. In addition, 892,920 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, stock appreciation rights, deferred stock units, 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.

Increased interest rates may hurt the value of our common shares.

We believe that investors consider the dividend rate on REIT shares, expressed as a percentage of the price of the shares, relative to interest rates as an important factor in deciding whether to buy or sell the shares. If interest rates go up, prospective purchasers of REIT shares may expect a higher dividend rate. Higher interest rates would likely increase our borrowing costs and might decrease funds available for distribution. Thus, higher interest rates could cause the price of our common shares to decline.

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.

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, 2012.

Property	Land Acreage	Building Square Feet	Occupancy Rate	Average Annualized Rent Per Square Foot[1]	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%	$ 93.02		
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%	164.35		
	1.9	1,059,000				
Rego Park I Queens, New York		195,000			Sears	2021
		50,000			Burlington Coat Factory	2022/2027
		46,000			Bed Bath & Beyond	2021
		36,000			Marshalls	2021
		16,000			Old Navy	2021
	4.8	343,000	100%	36.36		
Rego Park II Queens, New York						

		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
		150,000			Various	Various
	6.6	610,000	97%	40.05		
Paramus						
Paramus, New Jersey	30.3	-	100%	-	IKEA (ground lessee)	2041
Flushing						
Queens, New York (ground leased through January 2037)	1	167,000	100%	15.74	New World Mall LLC	2027/2037
Properties to be Developed:						
Rego Park II Apartment Tower						
Queens, New York	-	-	-	-	-	-
Rego Park III, adjacent to Rego Park II						
Queens, New York	3.4	-	-	-	-	-
		2,179,000				

(1) Represents the cash basis weighted average rent per square foot, which includes periodic step-ups in rent. For a discussion of our leasing activity, see Item 7 - Overview - Leasing Activity, Square Footage and Occupancy.

ITEM 2. PROPERTIES – continued

Operating Properties

731 Lexington Avenue

731 Lexington Avenue, 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 $327,425,000 and $320,000,000, respectively, as of December 31, 2012. These loans bear interest at 5.33% and 4.93% and mature in February 2014 and July 2015, respectively.

Rego Park I

Rego Park I, a 343,000 square foot shopping center, located on Queens Boulevard and 63rd Road in Queens, New York, is anchored by a 195,000 square foot Sears department store, a 50,000 square foot Burlington Coat Factory, a 46,000 square foot Bed Bath & Beyond and a 36,000 square foot Marshalls. 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 as of December 31, 2012. The loan bears interest at 0.50%, is prepayable at any time without penalty and matures in March 2013.

Rego Park II

Rego Park II, a 610,000 square foot shopping center, adjacent to the Rego Park I shopping center in Queens, New York, is anchored by 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 for paid parking.

This center is encumbered by a first mortgage loan with a balance of $272,245,000 as of December 31, 2012. The loan bears interest at LIBOR plus 1.85% (2.06% at December 31, 2012) and matures in November 2018.

ITEM 2. PROPERTIES – continued

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. 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 net gain on the sale of the land of approximately $60,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years must include debt service sufficient to fully amortize $68,000,000 over the remaining 20-year lease term.

Flushing

Flushing is located on Roosevelt Avenue and Main Street in the downtown, commercial section of Flushing, Queens, New York. Roosevelt Avenue and Main Street are active shopping districts and there are many national retailers located in the area. A subway entrance is located directly in front of the property with bus service across the street. The property comprises a 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, which expires in 2027 and has one 10-year extension option.

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 has appealed the Court's original decision. We believe, after consultation with counsel, that the amount or range of reasonably possible losses, if any, cannot be estimated.

Properties to be Developed

Rego Park II Apartment Tower

We are currently evaluating plans to construct an apartment tower containing approximately 300 units aggregating 250,000 square feet, above our Rego Park II shopping center. The funding required for the proposed development will be approximately $100,000,000 to $120,000,000. There can be no assurance that the project will commence, or if commenced, be completed on schedule or within budget.

Rego Park III

We own approximately 3.4 acres of land adjacent to the Rego Park II shopping center 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. Final plans and budgeted costs for this project have not been finalized. There can be no assurance that this project will commence.

ITEM 2. PROPERTIES – continued

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.

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 ("TRIPRA"). Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence. 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 borne by FNSIC.

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."

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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,					
	2012			2011		
Quarter	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
First	$ 411.97	$ 350.60	$ 3.75	$ 419.93	$ 363.96	$ 3.00
Second	431.11	361.00	3.75	454.00	373.48	3.00
Third	458.07	422.86	3.75	445.80	350.25	3.00
Fourth	461.26	329.90	125.75 (1)	456.73	333.00	3.00

(1) Comprised of a regular quarterly dividend of $3.75 per share and a special long-term capital gain dividend of $122.00 per share.

On January 16, 2013, we adjusted our regular quarterly dividend to $2.75 per share (a new indicated annual rate of $11.00 per share). The regular quarterly dividend was adjusted to reflect the sale of the Kings Plaza Regional Shopping Center in November 2012, which resulted in a special long-term capital gain dividend of $122.00 per share. As of January 31, 2013, there were approximately 328 holders of record of our common stock.

Recent Sales of Unregistered Securities

During 2012, we did not sell any unregistered securities.

Information relating to compensation plans under which our equity securities are authorized for issuance is set forth under Part III, Item 12 of this Annual Report on Form 10-K and such information is incorporated by reference herein.

Recent Purchases of Equity Securities

During 2012, we did not repurchase any of our equity securities.

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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, a peer group index. The graph assumes that $100 was invested on December 31, 2007 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.

	2007	2008	2009	2010	2011	2012
Alexander’s	$ 100	$ 75	$ 88	$ 122	$ 113	$ 143
S&P 500 Index	100	63	80	92	94	109
The NAREIT All Equity Index	100	62	80	102	110	132

ITEM 6. selected financial data

The following table sets forth selected financial and operating data. As a result of the sale of the Kings Plaza Regional Shopping Center, certain prior year balances have been reclassified in order to conform to current year presentation. 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)	**2012**	**2011**	**2010**	**2009**	**2008**
Total revenues	$ 191,312	$ 185,246	$ 174,206	$ 159,694	$ 147,004
Income from continuing operations(1)	$ 50,041	$ 54,831	$ 49,159	$ 118,697	$ 64,464
Income from discontinued operations(2)	624,952	26,215	18,286	14,244	11,831
Net income	674,993	81,046	67,445	132,941	76,295
Net income attributable to the noncontrolling interest	(606)	(1,623)	(1,016)	(751)	(7)
Net income attributable to Alexander's	$ 674,387	$ 79,423	$ 66,429	$ 132,190	$ 76,288
Income per common share:					
Income from continuing operations – basic	$ 9.80	$ 10.74	$ 9.63	$ 23.26	$ 12.72
Income from continuing operations – diluted	9.80	10.74	9.63	23.25	12.64
Net income per common share – basic	132.04	15.55	13.01	25.90	15.05
Net income per common share – diluted	132.04	15.55	13.01	25.89	14.96
Dividends per common share(3)	$ 137.00	$ 12.00	$ 7.50	$ -	$ 7.00
Balance sheet data:					
Total assets	$1,481,810	$1,771,307	$1,679,300	$1,703,769	$1,603,568
Real estate, at cost	911,792	906,907	897,312	879,833	823,716
Accumulated depreciation and amortization	160,826	136,460	112,765	91,247	76,139

Mortgages payable	1,065,916	1,080,932	1,095,197	1,095,646	1,021,718
Total equity	332,153	363,245	343,776	314,626	180,751

(1) Includes reversals of stock appreciation rights ("SARs") compensation expense of $34,275 and $20,254 in 2009 and 2008,
respectively, and reversals of a portion of the liability for income taxes of $2,561, $5,113, and $42,472 in 2011, 2010 and 2009, respectively.

(2) 2012 includes a $599,628 gain on sale of real estate.

(3) 2012 includes a special long-term capital gain dividend of $122.00 per share. We began paying a regular quarterly dividend in the second quarter of 2010. We also paid a special dividend of $7.00 per share in 2008.

ITEM 7. management’s discussion and analysis of financial condition 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 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 affecting 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.

Kings Plaza Regional Shopping Center

On November 28, 2012, we completed the sale of the Kings Plaza Regional Shopping Center ("Kings Plaza") located in Brooklyn, New York, to The Macerich Company (NYSE: MAC) ("Macerich"), for $751,000,000. Net proceeds from the sale, after repaying the existing loan and closing costs, were $479,000,000, of which $30,000,000 was in Macerich common shares. The financial statement gain was $601,976,000, of which $599,628,000 was recognized in the fourth quarter and the remaining $2,348,000 was deferred and will be recognized upon the disposition of the Macerich common shares. Prior to the sale, in November 2012, we acquired the remaining 75% interest in our consolidated subsidiary, the Kings Plaza energy plant joint venture (which was sold with Kings Plaza), for $7,800,000 in cash.

Special Dividend

On November 30, 2012, our Board of Directors declared a special long-term capital gain dividend of $122.00 per share, or $623,178,000 in the aggregate, to distribute the tax gain resulting from the sale of Kings Plaza.

Year Ended December 31, 2012 Financial Results Summary

Net income attributable to common stockholders for the year ended December 31, 2012 was $674,387,000, or $132.04 per diluted share, compared to $79,423,000, or $15.55 per diluted share for the year ended December 31, 2011. The year ended December 31, 2012 includes $599,628,000, or $117.40 per diluted share for the net gain on sale of Kings Plaza. Net income from continuing operations was $50,041,000, or $9.80 per diluted share for the year ended December 31, 2012, compared to $54,831,000, or $10.74 per diluted share for the year ended December 31, 2011.

Funds from operations attributable to common stockholders (“FFO”) for the year ended December 31, 2012 was $107,616,000, or $21.07 per diluted share, compared to $112,894,000, or $22.11 per diluted share for the prior year. FFO from continuing operations was $78,680,000, or $15.40 per diluted share for the year ended December 31, 2012, compared to $82,747,000, or $16.21 per diluted share for the prior year.

Quarter Ended December 31, 2012 Financial Results Summary

Net income attributable to common stockholders for the quarter ended December 31, 2012 was $617,157,000, or $120.82 per diluted share, compared to $20,634,000, or $4.04 per diluted share for the quarter ended December 31, 2011. The quarter ended December 31, 2012 includes $599,628,000, or $117.39 per diluted share for the net gain on sale of Kings Plaza. Net income from continuing operations was $12,033,000, or $2.36 per diluted share for the quarter ended December 31, 2012, compared to $13,318,000, or $2.61 per diluted share for the quarter ended December 31, 2011.

FFO for the quarter ended December 31, 2012 was $24,723,000, or $4.84 per diluted share, compared to $29,145,000, or $5.71 per diluted share for the prior year’s quarter. FFO from continuing operations was $19,227,000, or $3.76 per diluted share for the quarter ended December 31, 2012, compared to $20,429,000, or $4.00 per diluted share for the prior year’s quarter.

Overview – continued

Leasing Activity, Square Footage and Occupancy

As of December 31, 2012 and 2011, our portfolio was comprised of six properties aggregating 2,179,000 square feet that had occupancy rates of 99.1% and 98.7%, respectively.

In the year ended December 31, 2012, we leased 9,799 square feet that was placed into service at our Rego Park II shopping center, at an initial rent of $70.00 per square foot for a 21-year lease term.

Significant Tenants

Bloomberg L.P. (“Bloomberg”) accounted for $86,468,000, $84,526,000 and $83,137,000, or 45%, 46% and 48% of our total revenues in the years ended December 31, 2012, 2011 and 2010, respectively. No other tenant accounted for more than 10% of our total 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 financial condition and results of operations. 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

In May 2011, the Financial Accounting Standards Board ("FASB") issued Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU No. 2011-04"). ASU No. 2011-04 provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards ("IFRS") and requires additional disclosures, including: (i) quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs, for Level 3 fair value measurements; (ii) fair value of financial instruments not measured at fair value but for which disclosure of fair value is required, based on their levels in the fair value hierarchy; and (iii) transfers between Level 1 and Level 2 of the fair value hierarchy. The adoption of this update on January 1, 2012, did not have a material impact on our consolidated financial statements, but resulted in additional fair value measurement disclosures.

In June 2011, the FASB issued Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU No. 2011-05"). ASU No. 2011-05 requires the presentation of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. The adoption of this update on January 1, 2012, resulted in the presentation of comprehensive income as a separate financial statement.

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, 2012 and 2011, the carrying amount of our real estate, net of accumulated depreciation and amortization, was $750,966,000 and $770,447,000, respectively. Maintenance and repairs are expensed 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 directly associated with and attributable to, the development and construction of a project, including interest expense, are capitalized to the cost of the real property to the extent that we believe such costs are recoverable through the value of the property. The capitalization period begins when development activities are underway and ends when the project is substantially complete. General and administrative costs are expensed as incurred.

Our properties and related intangible assets, including properties to be developed in the future, 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.

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 ($2,219,000 and $1,039,000 as of December 31, 2012 and 2011, 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.

Critical Accounting Policies and Estimates – continued

Revenue Recognition

We have the following revenue sources and revenue recognition policies:

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

- 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, among other things, its collectibility. If our assessment of the collectibility 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. We distribute to our stockholders 100% of our taxable income and therefore, no provision for Federal income taxes is required. If we fail to distribute the required amount of income to our stockholders, or fail to meet other REIT requirements, we may fail to qualify as a REIT, which may result in substantial adverse tax consequences.

Results of Operations – Year Ended December 31, 2012 compared to December 31, 2011

Property Rentals

Property rentals were $134,847,000 in the year ended December 31, 2012, compared to $133,682,000 in the prior year, an increase of $1,165,000.

Expense Reimbursements

Tenant expense reimbursements were $56,465,000 in the year ended December 31, 2012, compared to $51,564,000 in the prior year, an increase of $4,901,000. This increase was primarily due to higher real estate taxes and reimbursable operating expenses.

Operating Expenses

Operating expenses were $61,755,000 in the year ended December 31, 2012, compared to $55,481,000 in the prior year, an increase of $6,274,000. This increase was primarily comprised of higher (i) real estate taxes of $4,395,000, (ii) reimbursable operating expenses of $622,000 and (iii) bad debt expense of $1,041,000.

Depreciation and Amortization

Depreciation and amortization was $28,815,000 in the year ended December 31, 2012, compared to $28,083,000 in the prior year, an increase of $732,000.

General and Administrative Expenses

General and administrative expenses were $5,162,000 in the year ended December 31, 2012, compared to $3,996,000 in the prior year, an increase of $1,166,000. This increase was primarily due to an $807,000 reversal of a portion of the litigation loss accrual at our Flushing property in the prior year.

Interest and Other Income, net

Interest and other income, net was $177,000 in the year ended December 31, 2012, compared to $1,001,000 in the prior year, a decrease of $824,000. This decrease was primarily due to $740,000 of income in the prior year resulting from the collection of prior period real estate tax billings.

Interest and Debt Expense

Interest and debt expense was $45,652,000 in the year ended December 31, 2012, compared to $43,898,000 in the prior year, an increase of $1,754,000. This increase was primarily due to a $2,561,000 reversal of previously recognized interest expense related to our income tax liability in the prior year, due to the expiration of the applicable statute of limitations, partially offset by savings of $621,000 from lower average debt balances.

Results of Operations – Year Ended December 31, 2012 compared to December 31 2011 - continued

Income Tax (Expense) Benefit

In the year ended December 31, 2012, we had income tax expense of $64,000, compared to a $42,000 income tax benefit in the prior year, an increase in expense of $106,000. This increase resulted from a true-up of our estimated income tax liability in the prior year.

Income from Discontinued Operations

Income from discontinued operations was $624,952,000 in the year ended December 31, 2012, compared to $26,215,000 in the prior year, an increase of $598,737,000. The increase resulted primarily from a $599,628,000 net gain on sale of the Kings Plaza Regional Shopping Center on November 28, 2012.

Net Income Attributable to the Noncontrolling Interest

Net income attributable to the noncontrolling interest was $606,000 in the year ended December 31, 2012, compared to $1,623,000 in the prior year, a decrease of $1,017,000. This decrease was primarily due to our Kings Plaza energy plant venture partner's 75% pro-rata share of a true-up in straight-line rental income in the prior year. The Kings Plaza energy plant was sold together with the Kings Plaza Regional Shopping Center in November 2012.

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010

Property Rentals

Property rentals were $133,682,000 in the year ended December 31, 2011, compared to $127,240,000 in the year ended December 31, 2010, an increase of $6,442,000. This increase was primarily attributable to the lease-up of space at our Rego Park I and Rego Park II properties.

Expense Reimbursements

Tenant expense reimbursements were $51,564,000 in the year ended December 31, 2011, compared to $46,966,000 in the year ended December 31, 2010, an increase of $4,598,000. This increase was primarily due to higher real estate taxes and reimbursable operating expenses, and attributable to tenants at our Rego Park II property whose space was placed into service during 2010.

Operating Expenses

Operating expenses were $55,481,000 in the year ended December 31, 2011, compared to $50,153,000 in the year ended December 31, 2010, an increase of $5,328,000. This increase was comprised of higher real estate taxes and reimbursable operating expenses of $3,719,000 and an increase in bad debt expense and other non-reimbursable expenses of $1,609,000.

Depreciation and Amortization

Depreciation and amortization was $28,083,000 in the year ended December 31, 2011, compared to $25,688,000 in the year ended December 31, 2010, an increase of $2,395,000. This increase resulted primarily from depreciation on the portion of Rego Park II placed into service during 2010.

General and Administrative Expenses

General and administrative expenses were $3,996,000 in the year ended December 31, 2011, compared to $7,374,000 in the year ended December 31, 2010, a decrease of $3,378,000. This decrease was primarily due to a $3,135,000 litigation loss accrual in 2010 related to our Flushing property, of which $807,000 was reversed in 2011 in connection with the litigation’s settlement, partially offset by $405,000 of higher compensation to our Board of Directors in 2011, of which $300,000 represents the fair value of a deferred stock unit grant.

Interest and Other Income, net

Interest and other income, net was $1,001,000 in the year ended December 31, 2011, compared to $799,000 in the year ended December 31, 2010, an increase of $202,000. This increase was primarily due to $740,000 of income from the collection of prior period real estate tax billings, partially offset by $479,000 from lower average yields on investments.

Interest and Debt Expense

Interest and debt expense was $43,898,000 in the year ended December 31, 2011, compared to $45,455,000 in the year ended December 31, 2010, a decrease of $1,557,000. This decrease was primarily due to $850,000 of interest related to our income tax liability, resulting primarily from a higher reversal of previously recognized interest expense in 2011 as compared to 2010 and $647,000 of lower amortization of debt issuance costs resulting from the refinancing of our Rego Park II property.

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010 - continued

Income Tax Benefit

In the year ended December 31, 2011, we had a $42,000 income tax benefit, compared to a $2,824,000 income tax benefit in the year ended December 31, 2010. The income tax benefit in 2011 resulted from a true-up of the income tax liability accrued during 2010. The income tax benefit in 2010 resulted primarily from the reversal of a portion of the income tax liability due to the expiration of the applicable statute of limitations.

Net Income Attributable to the Noncontrolling Interest

Net income attributable to the noncontrolling interest was $1,623,000 in the year ended December 31, 2011, compared to $1,016,000 in the year ended December 31, 2010, an increase of $607,000. This increase was primarily due to our Kings Plaza energy plant venture partner’s 75% pro-rata share of a true-up in straight-line rental income during 2011.

Related Party Transactions

Vornado

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, 2012, 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, 26.3% of our outstanding common stock, in addition to the 2.1% they indirectly own through Vornado. Michael D. Fascitelli, our President and a member of our Board of Directors, is the President, Chief Executive Officer and a member of the Board of Trustees of Vornado. Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Vornado.

At December 31, 2012, Vornado owned 32.4% of our outstanding common stock. We are managed by, and our properties are leased and developed by, Vornado, pursuant to various agreements, which expire in March of each year and are automatically renewable. These agreements are described in Note 3 – *Related Party Transactions*, to our consolidated financial statements in this Annual Report on Form 10-K.

Liquidity and Capital Resources

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 and maturities, and recurring capital expenditures.

Dividends

On January 16, 2013, we adjusted our regular quarterly dividend to $2.75 per share (a new indicated annual rate of $11.00 per share). The regular quarterly dividend was adjusted to reflect the sale of the Kings Plaza Regional Shopping Center in November 2012, which resulted in a special long-term capital gain dividend of $122.00 per share. The new dividend, if continued for all of 2013, would require us to pay out approximately $56,190,000.

Rego Park II Apartment Tower

We are currently evaluating plans to construct an apartment tower containing approximately 300 units aggregating 250,000 square feet, above our Rego Park II shopping center. The funding required for the proposed development will be approximately $100,000,000 to $120,000,000. There can be no assurance that the project will commence, or if commenced, be completed on schedule or within budget.

Financing Activities and Contractual Obligations

Below is a summary of our outstanding debt and maturities as of December 31, 2012.

(Amounts in thousands)	Balance	Interest Rate	Maturity
Rego Park I[1]	$ 78,246	0.50%	Mar. 2013
Lexington Office	327,425	5.33%	Feb. 2014
Lexington Retail[2]	320,000	4.93%	Jul. 2015
Paramus	68,000	2.90%	Oct. 2018
Rego Park II[3]	272,245	2.06%	Nov. 2018
	$ 1,065,916		

(1) This loan is 100% cash collateralized.
(2) In the event of a substantial casualty, as defined, up to $75,000 of this loan may become recourse to us.
(3) This loan bears interest at LIBOR plus 1.85%.

Below is a summary of our contractual obligations and commitments as of December 31, 2012.

(Amounts in thousands)	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Contractual obligations (principal and interest[1]):					
Long-term debt obligations	$ 1,170,784	$ 135,075	$ 682,320	$ 22,366	$ 331,023
Operating lease obligations	10,858	700	1,400	1,492	7,266
Purchase obligations (primarily construction commitments)	1,161	1,161	-	-	-
Other obligations (primarily due to Vornado)	52,665	4,000	8,000	8,000	32,665
	$ 1,235,468	$ 140,936	$ 691,720	$ 31,858	$ 370,954
Commitments:					
Standby letters of credit	$ 4,058	$ 4,058	$ -	$ -	$ -

(1) Interest on variable rate debt is computed using rates in effect at December 31, 2012.

Liquidity and Capital Resources – continued

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 terrorist acts, 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 ("TRIPRA"). Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence. 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 borne by FNSIC.

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.

Flushing Property

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 and has appealed the Court’s original decision. We believe, after consultation with counsel, that the amount or range of reasonably possible losses, if any, cannot be estimated.

Paramus

In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a 40-year term with 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.

Other

There are various 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.

Liquidity and Capital Resources – continued

Cash Flows

Cash and cash equivalents were $353,396,000 at December 31, 2012, compared to $506,619,000 at December 31, 2011, a decrease of $153,223,000. This decrease resulted from $973,007,000 of net cash used in financing activities, partially offset by $710,077,000 of net cash provided by investing activities and $109,707,000 of net cash provided by operating activities. Our consolidated outstanding debt was $1,065,916,000 at December 31, 2012, a $15,016,000 decrease from the balance at December 31, 2011.

Year Ended December 31, 2012

Net cash provided by operating activities was $109,707,000, of which $34,896,000 was related to discontinued operations. Net cash provided by operating activities was comprised of net income of $674,993,000 and $2,154,000 for the net change in operating assets and liabilities, partially offset by $567,440,000 of adjustments for non-cash items. The adjustments for non-cash items were primarily comprised of a net gain on the sale of real estate of $599,628,000 and straight-lining of rental income of $4,475,000, partially offset by depreciation and amortization of $36,363,000.

Net cash provided by investing activities of $710,077,000 was comprised of (i) net proceeds from the sale of real estate of $714,054,000 (excluding $30,000,000 of stock consideration) and (ii) proceeds from maturing short-term investments of $5,000,000, partially offset by (iii) $7,351,000 of real estate additions, primarily related to our Rego Park II property, and (iv) an increase in restricted cash of $1,626,000.

Net cash used in financing activities of $973,007,000 was primarily comprised of (i) dividends paid on common stock of $699,791,000, which included a special dividend of $623,178,000 to distribute the tax gain on the sale of Kings Plaza, (ii) repayment of the Kings Plaza debt of $250,000,000 upon the sale of the property, (iii) repayments of borrowings of $15,016,000 and (iv) a payment of $7,800,000 to acquire the noncontrolling interest in the Kings Plaza energy plant joint venture, which was sold with the mall.

Year Ended December 31, 2011

Cash and cash equivalents were $506,619,000 at December 31, 2011, compared to $397,220,000 at December 31, 2010, an increase of $109,399,000. This increase resulted from $92,514,000 of net cash provided by operating activities, $383,000 of net cash provided by investing activities and $16,502,000 of net cash provided by financing activities.

Net cash provided by operating activities of $92,514,000 was comprised of net income of $81,046,000, and $22,216,000 of adjustments for non-cash items, partially offset by $10,748,000 for the net change in operating assets and liabilities. The adjustments for non-cash items were primarily comprised of (i) depreciation and amortization of $37,086,000, partially offset by (ii) straight-lining of rental income of $12,609,000 and (iii) a $2,561,000 reversal of a portion of the liability for income taxes.

Net cash provided by investing activities of $383,000 was comprised of (i) proceeds from maturing short-term investments of $23,000,000, partially offset by (ii) $14,415,000 of real estate additions, primarily related to the development of our Rego Park II property, (iii) purchases of short-term investments of $5,000,000, and (iv) an increase in restricted cash of $3,202,000.

Net cash provided by financing activities of $16,502,000 was primarily comprised of (i) $593,000,000 of proceeds from the refinancing of our Rego Park II, Kings Plaza and Paramus properties, partially offset by (ii) repayments of borrowings of $508,479,000 (primarily Rego Park II, Kings Plaza and Paramus) and (iii) dividends paid on common stock of $61,277,000.

Liquidity and Capital Resources – continued

Year Ended December 31, 2010

Cash and cash equivalents were $397,220,000 at December 31, 2010, compared to $412,734,000 at December 31, 2009, a decrease of $15,514,000. This decrease resulted from $72,143,000 of net cash used in financing activities and $19,393,000 of net cash used in investing activities, partially offset by $76,022,000 of net cash provided by operating activities.

Net cash provided by operating activities of $76,022,000 was comprised of net income of $67,445,000, and $15,792,000 of adjustments for non-cash items, partially offset by $7,215,000 for the net change in operating assets and liabilities. The adjustments for non-cash items were primarily comprised of (i) depreciation and amortization of $34,849,000, partially offset by (ii) straight-lining of rental income of $15,182,000 and (iii) a $5,113,000 reversal of a portion of the liability for income taxes.

Net cash used in investing activities of $19,393,000 was primarily comprised of $42,310,000 of real estate additions, primarily related to the development of our Rego Park II property, and purchases of short-term investments of $23,000,000, partially offset by $40,000,000 of proceeds from maturing short-term investments.

Net cash used in financing activities of $72,143,000 was primarily comprised of (i) dividends paid on common stock of $38,295,000, (ii) $27,500,000 for the purchase of a portion of our Kings Plaza debt, (iii) $24,039,000 for the repayment of a portion of Rego Park II construction loan upon exercise of the one-year extension option and (iv) $17,080,000 for the repayment of borrowings, partially offset by (v) $34,828,000 of borrowings under our Rego Park II construction loan.

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 attributable to common stockholders for the year ended December 31, 2012 was $107,616,000, or $21.07 per diluted share, compared to $112,894,000, or $22.11 per diluted share for the year ended December 31, 2011. FFO from continuing operations was $78,680,000, or $15.40 per diluted share for the year ended December 31, 2012, compared to $82,747,000, or $16.21 per diluted share for the prior year.

FFO attributable to common stockholders for the quarter ended December 31, 2012 was $24,723,000, or $4.84 per diluted share, compared to $29,145,000, or $5.71 per diluted share for the quarter ended December 31, 2011. FFO from continuing operations was $19,227,000, or $3.76 per diluted share for the quarter ended December 31, 2012, compared to $20,429,000, or $4.00 per diluted share for the prior year's quarter.

The following table reconciles our net income to FFO:

(Amounts in thousands, except share and per share amounts)	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011	For the Quarter Ended December 31, 2012	For the Quarter Ended December 31, 2011
Net income attributable to Alexander's	$ 674,387	$ 79,423	$ 617,157	$ 20,634
Net gain on sale of real estate	(599,628)	-	(599,628)	-
Depreciation and amortization of real property	32,857	33,471	7,194	8,511
FFO attributable to common stockholders	$ 107,616	$ 112,894	$ 24,723	$ 29,145

FFO attributable to common stockholders per diluted share	$ 21.07	$ 22.11	$ 4.84	$ 5.71
Weighted average shares used in computing diluted FFO per share	5,107,610	5,106,568	5,108,016	5,106,984

ITEM 7A. 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.

(Amounts in thousands, except per share amounts)	2012 December 31, Balance	2012 Weighted Average Interest Rate	Effect of 1% Change in Base Rates	2011 December 31, Balance	2011 Weighted Average Interest Rate
Variable (including $45,803 and $40,728, respectively, due to Vornado)	$ 318,048	2.07%	$ 3,180	$ 315,524	2.10%
Fixed Rate	793,671	4.48%	-	806,136	4.52%
	$ 1,111,719		$ 3,180	$ 1,121,660	
Total effect on diluted earnings per share			$ 0.62		

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 December 31, 2012 and 2011, the estimated fair value of our consolidated debt was $1,143,000,000. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Alexander's, Inc.

Paramus, New Jersey

We have audited the accompanying consolidated balance sheets of Alexander's, Inc. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Alexander's, Inc. and subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 4 to the consolidated financial statements, the Company completed the sale of Kings Plaza Regional Shopping Center on November 28, 2012. The gain on sale and results prior to the sale are included in income from discontinued operations in the accompanying financial statements. The accompanying 2011 and 2010 financial statements have been retrospectively adjusted for discontinued operations.

As discussed in Note 2 to the consolidated financial statements, the Company adopted FASB Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income* in 2012. The Company has presented net income and other comprehensive income in two separate but consecutive statements for all periods presented.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 26, 2013

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

	December 31,	
ASSETS	**2012**	**2011**
Real estate, at cost:		
Land	$ 44,971	$ 44,971
Buildings and leasehold improvements	864,609	860,833
Development and construction in progress	2,212	1,103
Total	911,792	906,907
Accumulated depreciation and amortization	(160,826)	(136,460)
Real estate, net	750,966	770,447
Cash and cash equivalents	353,396	506,619
Restricted cash	90,395	88,769
Short-term investments	-	5,000
Marketable securities	31,206	-
Tenant and other receivables, net of allowance for doubtful accounts of $2,219 and $1,039, respectively	1,953	2,552
Receivable arising from the	173,694	169,536

straight-lining of rents		
Deferred lease and other property costs, net, including unamortized leasing fees to Vornado of $39,910 and $42,678, respectively	54,461	58,244
Deferred debt issuance costs, net of accumulated amortization of $16,834 and $14,638, respectively	5,522	7,470
Assets related to discontinued operations	-	137,418
Other assets	20,217	25,252
	$1,481,810	$1,771,307
LIABILITIES AND EQUITY		
Mortgages payable	$1,065,916	$1,080,932
Amounts due to Vornado	46,445	41,340
Accounts payable and accrued expenses	33,621	34,577
Liabilities related to discontinued operations	-	250,000
Other liabilities, including $2,348 of deferred income from the sale of Kings Plaza in 2012	3,675	1,213

Total liabilities	1,149,657	1,408,062
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, 5,105,936 shares	5,173	5,173
Additional capital	29,352	31,801
Retained earnings	296,797	322,201
Accumulated other comprehensive income	1,206	-
	332,528	359,175
Treasury stock: 67,514 shares, at cost	(375)	(375)
Total Alexander's equity	332,153	358,800
Noncontrolling interest in consolidated subsidiary	-	4,445
Total equity	332,153	363,245
	$1,481,810	$1,771,307

See notes to consolidated financial statements.

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

	Year Ended December 31, 2012	2011	2010
REVENUES			
Property rentals	$ 134,847	$ 133,682	$ 127,240
Expense reimbursements	56,465	51,564	46,966
Total revenues	191,312	185,246	174,206
EXPENSES			
Operating, including fees to Vornado of $4,318, $3,687, and $3,665, respectively	61,755	55,481	50,153
Depreciation and amortization	28,815	28,083	25,688
General and administrative, including management fees to Vornado of $2,160 in each year	5,162	3,996	7,374
Total expenses	95,732	87,560	83,215
OPERATING INCOME	95,580	97,686	90,991
Interest and other income, net	177	1,001	799
Interest and debt expense	(45,652)	(43,898)	(45,455)
Income before income taxes	50,105	54,789	46,335
Income tax (expense) benefit	(64)	42	2,824
Income from continuing operations	50,041	54,831	49,159

Income from discontinued operations, including a $599,628 net gain on sale of real estate in 2012	624,952	26,215	18,286
Net income	674,993	81,046	67,445
Net income attributable to the noncontrolling interest	(606)	(1,623)	(1,016)
Net income attributable to Alexander's	$ 674,387	$ 79,423	$ 66,429
Income per common share - basic and diluted:			
Income from continuing operations	$ 9.80	$ 10.74	$ 9.63
Income from discontinued operations, net	122.24	4.81	3.38
Net income per common share	$ 132.04	$ 15.55	$ 13.01
Weighted average shares outstanding	5,107,610	5,106,568	5,105,936

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2012	**2011**	**2010**
Net income	$674,993	$81,046	$67,445
Other comprehensive income:			
Change in unrealized net gain on securities available-for-sale	1,206	-	-
Comprehensive income	676,199	81,046	67,445
Less:			
Comprehensive income attributable to the noncontrolling interest	(606)	(1,623)	(1,016)
Comprehensive income attributable to Alexander's	$675,593	$79,423	$66,429

See notes to consolidated financial statements.

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

	Common Stock Shares	Common Stock Amount	Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Alexander's Equity	Non-controlling Interest	Total Equity
Balance, December 31, 2009	5,173	$ 5,173	$ 31,501	$ 275,921	$ -	$ (375)	$ 312,220	$ 2,406	$ 314,626
Net income	-	-	-	66,429	-	-	66,429	1,016	67,445
Dividends paid	-	-	-	(38,295)	-	-	(38,295)	-	(38,295)
Balance, December 31, 2010	5,173	5,173	31,501	304,055	-	(375)	340,354	3,422	343,776
Net income	-	-	-	79,423	-	-	79,423	1,623	81,046
Dividends paid	-	-	-	(61,277)	-	-	(61,277)	-	(61,277)
Distributions	-	-	-	-	-	-	-	(600)	(600)
Deferred stock unit grant	-	-	300	-	-	-	300	-	300
Balance, December 31, 2011	5,173	5,173	31,801	322,201	-	(375)	358,800	4,445	363,245
Net income	-	-	-	674,387	-	-	674,387	606	674,993
Dividends paid, including a special dividend of $623,178	-	-	-	(699,791)	-	-	(699,791)	-	(699,791)
Acquisition of the noncontrolling interest	-	-	(2,749)	-	-	-	(2,749)	(5,051)	(7,800)
Change in unrealized net gain on securities available-for-sale	-	-	-	-	1,206	-	1,206	-	1,206
Deferred stock unit grant	-	-	300	-	-	-	300	-	300
Balance, December 31, 2012	5,173	$ 5,173	$ 29,352	$ 296,797	$ 1,206	$ (375)	$ 332,153	$ -	$ 332,153

See notes to consolidated financial statements.

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

	Year Ended December 31, 2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 674,993	$ 81,046	$ 67,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Net gain on sale of real estate	(599,628)	-	-
Depreciation and amortization, including amortization of debt issuance costs	36,363	37,086	34,849
Straight-lining of rental income	(4,475)	(12,609)	(15,182)
Stock-based compensation expense	300	300	-
Reversal of income tax liability	-	(2,561)	(5,113)
Other non-cash adjustments	-	-	1,238
Change in operating assets and liabilities:			
Tenant and other receivables, net	234	1,672	(2,065)
Other assets	4,318	(5,484)	(6,068)
Amounts due to Vornado	(2,405)	(2,445)	(12,881)
Accounts payable and accrued expenses	(107)	(4,547)	13,273
Income tax liability of taxable REIT subsidiary	29	87	704
Other liabilities	85	(31)	(178)
Net cash provided by operating activities	109,707	92,514	76,022
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of real estate	714,054	-	-
Construction in progress and real estate additions	(7,351)	(14,415)	(42,310)
Proceeds from maturing short-term investments	5,000	23,000	40,000
Restricted cash	(1,626)	(3,202)	5,917
Purchases of short-term investments	-	(5,000)	(23,000)
Net cash provided by (used in) investing activities	710,077	383	(19,393)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid, including a special dividend of $623,178, or $122.00 per share in 2012	(699,791)	(61,277)	(38,295)
Debt repayments	(265,016)	(508,479)	(68,619)
Acquisition of the noncontrolling interest	(7,800)	-	-
Debt issuance costs	(400)	(6,142)	(57)
Proceeds from borrowing	-	593,000	34,828
Distributions to the noncontrolling interest	-	(600)	-
Net cash (used in) provided by financing activities	(973,007)	16,502	(72,143)
Net (decrease) increase in cash and cash equivalents	(153,223)	109,399	(15,514)
Cash and cash equivalents at beginning of year	506,619	397,220	412,734
Cash and cash equivalents at end of year	$ 353,396	$ 506,619	$397,220

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash payments for interest, of which $1,269 was capitalized in 2010	$ 47,932	$ 53,343	$ 52,889
NON-CASH TRANSACTIONS			
Marketable securities received in connection with the sale of real estate	$ 30,000	$ -	$ -
Commission payable to Vornado incurred in connection with the sale of real estate	7,510	-	-
Change in unrealized net gain on securities available-for-sale	1,206	-	-
Write-off of fully amortized and/or depreciated assets	648	6,799	-
Non-cash additions to real estate included in accounts payable and accrued expenses	221	3,052	-

See notes to consolidated financial statements.

ALEXANDER’S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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 consisting of:

<u>Operating properties</u>

- 731 Lexington Avenue, 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;

- Rego Park I, a 343,000 square foot shopping center, located on Queens Boulevard and 63rd Road in Queens. The center is anchored by a 195,000 square foot Sears department store, a 50,000 square foot Burlington Coat Factory, a 46,000 square foot Bed Bath & Beyond and a 36,000 square foot Marshalls;

- Rego Park II, a 610,000 square foot shopping center, adjacent to the Rego Park I shopping center in Queens. The center is anchored by 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;

- Paramus, located at the intersection of Routes 4 and 17 in Paramus, New Jersey, consists of 30.3 acres of land that is leased to IKEA Property, Inc.; and

Rego Park III

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

Properties to be developed

• Rego Park II Apartment Tower; we are considering a proposed development containing approximately 300 units aggregating 250,000 square feet, to be constructed above our Rego Park II shopping center. The funding required for the proposed development will be approximately $100,000,000 to $120,000,000. There can be no assurance that the project will commence, or if commenced, be completed on schedule or within budget.

• Rego Park III, a 3.4 acre land parcel adjacent to the Rego Park II shopping center in Queens, at the intersection of Junction Boulevard and the Horace Harding Service Road.

We have determined that our properties have similar economic characteristics and meet the criteria which permit the properties to be aggregated into one reportable segment (the leasing, management, development and redeveloping of properties in the greater New York City metropolitan area). Our chief operating decision-maker assesses and measures segment operating results based on a performance measure referred to as net operating income at the individual operating segment. Net operating income for each property represents net rental revenues less operating expenses.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying consolidated financial statements include our accounts and those of our consolidated subsidiaries. All intercompany amounts have been eliminated. 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. Certain prior year balances have been reclassified in order to conform to current year presentation.

Recently Issued Accounting Literature – In May 2011, the Financial Accounting Standards Board ("FASB") issued Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU No. 2011-04"). ASU No. 2011-04 provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards ("IFRS") and requires additional disclosures, including: (i) quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs, for Level 3 fair value measurements; (ii) fair value of financial instruments not measured at fair value but for which disclosure of fair value is required, based on their levels in the fair value hierarchy; and (iii) transfers between Level 1 and Level 2 of the fair value hierarchy. The adoption of this update on January 1, 2012, did not have a material impact on our consolidated financial statements, but resulted in additional fair value measurement disclosures (see Note 8 - *Fair Value Measurements*).

In June 2011, the FASB issued Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU No. 2011-05"). ASU No. 2011-05 requires the presentation of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. The adoption of this update on January 1, 2012, resulted in the presentation of comprehensive income as a separate financial statement.

Real Estate – Real estate is carried at cost, net of accumulated depreciation and amortization. Maintenance and repairs are expensed 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 directly associated with and attributable to, the development and construction of a project, including interest expense, are capitalized to the cost of the real property to the extent that we believe such costs are recoverable through the value of the property. The capitalization period begins when development activities are underway and ends when the project is substantially complete. General and administrative costs are expensed as incurred. Depreciation is provided on a straight-line basis over estimated useful lives, which range from 5 to 40 years. Tenant allowances are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the assets.

Our properties and related intangible assets, including properties to be developed in the future, 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.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents – Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates fair value, due to their short-term maturities. The majority of our cash and cash equivalents consist of (i) deposits at major commercial banks, which may at times exceed the Federal Deposit Insurance Corporation limit, (ii) money market funds, which invest in obligations of the United States government and (iii) certificates of deposit placed through an account registry service ("CDARS"). To date we have not experienced any losses on our invested cash.

Short-term Investments – Short-term investments consist of CDARS with original maturities greater than three but less than six months. These investments are FDIC insured and classified as available-for-sale.

Restricted Cash – Restricted cash primarily consists of cash held in a non-interest bearing escrow account in connection with our Rego Park I 100% cash collateralized mortgage, as well as security deposits and other cash escrowed under loan agreements for debt service, real estate taxes, property insurance and capital improvements.

Marketable Securities – Our marketable securities consist of common shares of The Macerich Company (NYSE: MAC) ("Macerich"), which are classified as available-for-sale. Available-for-sale securities are presented at fair value on our consolidated balance sheet. Unrealized gains and losses resulting from the mark-to-market of these securities are included in "other comprehensive income" and are recognized in earnings only upon the sale of the securities. We evaluate our marketable securities for impairment at the end of each reporting period. If investments have unrealized losses, we evaluate the underlying cause of the decline in value and the estimated recovery period, as well as the severity and duration of the decline. In our evaluation, we consider our ability and intent to hold our investment for a reasonable period of time sufficient for us to recover our cost basis, as well as the near-term prospects for the investment in relation to the severity and duration of the decline.

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 ($2,219,000 and $1,039,000 as of December 31, 2012 and 2011, respectively) for the 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.

Deferred Charges – Direct financing costs are deferred and amortized over the terms of the related agreements as a component of interest and debt expense. Direct costs related to leasing activities are capitalized and amortized on a straight-line basis over the lives of the related leases. All other deferred charges are amortized on a straight-line basis, which approximates the effective interest rate method, in accordance with the terms of the agreements to which they relate.

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.

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ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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. We distribute to our stockholders 100% of our taxable income and therefore, no provision for Federal income taxes is required. If we fail to distribute the required amount of income to our stockholders, or fail to meet other REIT requirements, we may fail to qualify as a REIT, which may result in substantial adverse tax consequences.

The following table reconciles our net income to estimated taxable income for the years ended December 31, 2012, 2011 and 2010.

(Unaudited and in thousands)	Years Ended December 31,		
	2012	**2011**	**2010**
Net income attributable to Alexander's	$ 674,387	$ 79,423	$ 66,429
Additional tax gain on sale of the Kings Plaza Regional Shopping Center	23,928	-	-
Straight-line rent adjustments	(4,475)	(12,609)	(15,182)
Depreciation and amortization timing differences	910	1,263	602
Interest expense	29	(2,425)	-
Reversal of liability for income taxes	-	-	(3,162)
Other	4,396	(3,429)	6,245
Taxable income before net operating loss ("NOL")	699,175	62,223	54,932
NOL carried forward	-	-	(16,939)
Estimated taxable income	$ 699,175	$ 62,223	$ 37,993

At December 31, 2012, the net basis of our assets and liabilities for tax purposes are approximately $184,806,000 lower than the amount reported for financial statement purposes.

Income Per Share – Basic income per share is computed based on weighted average shares of common stock (including deferred stock units) outstanding during the period. Diluted income per share is computed based on the weighted average shares of common stock (including deferred stock units) outstanding during the period, and assumes all potentially dilutive securities were converted into common stock at the earliest date possible. There were no potentially dilutive securities outstanding during the years ended December 31, 2012, 2011 and 2010.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. RELATED PARTY TRANSACTIONS

Vornado

At December 31, 2012, 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, 2012, 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, 26.3% of our outstanding common stock, in addition to the 2.1% they indirectly own through Vornado. Michael D. Fascitelli, our President and a member of our Board of Directors, is the President, Chief Executive Officer and a member of the Board of Trustees of Vornado. Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Vornado.

Management and Development Agreements

Effective December 1, 2012, as a result of the sale of the Kings Plaza Regional Shopping Center ("Kings Plaza") (see Note 4 – *Discontinued Operations*), the management and development agreement with Vornado was amended. Pursuant to the amended agreement, 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) $264,000, 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.

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% (2.13% at December 31, 2012). As a result of the sale of Kings Plaza (see Note 4 – *Discontinued Operations*), we accrued a $7,510,000 sales commission payable to Vornado, which is responsible for the fee to a third-party broker.

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 of the cost for such services plus 6%.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. RELATED PARTY TRANSACTIONS – continued

The following is a summary of fees to Vornado under the agreements discussed above, which includes property management and leasing fees related to Kings Plaza of $2,261,000, $3,385,000 and $1,758,000 in the years ended December 31, 2012, 2011 and 2010, respectively.

	Year Ended December 31,		
(Amounts in thousands)	**2012**	**2011**	**2010**
Company management fees	$ 2,983	$ 3,000	$ 3,000
Development fees	438	750	727
Leasing fees	2,217	4,472	4,267
Commission on sale of real estate	7,510	-	-
Property management fees and payments for cleaning, engineering and security services	5,103	4,648	4,342
	$ 18,251	$ 12,870	$ 12,336

At December 31, 2012, we owed Vornado $45,803,000 for leasing fees (including the $7,510,000 Kings Plaza sales commission) and $642,000 for management, property management and cleaning fees.

4. DISCONTINUED OPERATIONS

On November 28, 2012, we completed the sale of Kings Plaza located in Brooklyn, New York, to Macerich, for $751,000,000. Net proceeds from the sale, after repaying the existing loan and closing costs, were $479,000,000, of which $30,000,000 was in Macerich common shares. The financial statement gain was $601,976,000, of which $599,628,000 was recognized in the fourth quarter and the remaining $2,348,000 was deferred and will be recognized upon the disposition of the Macerich common shares. Prior to the sale, in November 2012, we acquired the remaining 75% interest in our consolidated subsidiary, the Kings Plaza energy plant joint venture (which was sold with Kings Plaza), for $7,800,000 in cash. Pursuant to Accounting Standards Codification ("ASC") Topic 810, *Consolidation*, we have recorded the difference between the acquisition price and the carrying amount of the noncontrolling interest as a reduction of "additional capital" on our consolidated balance sheet.

On November 30, 2012, our Board of Directors declared a special long-term capital gain dividend of $122.00 per share, or $623,178,000 in the aggregate, to distribute the tax gain resulting from the sale of Kings Plaza.

In accordance with the provisions of ASC 360, *Property, Plant and Equipment*, we have reclassified the revenues and expenses of Kings Plaza to “income from discontinued operations” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations”, respectively, for all of the periods presented in the accompanying financial statements. The tables below set forth the assets and liabilities related to discontinued operations at December 31, 2012 and 2011 and their combined results of operations for the years ended December 31, 2012, 2011 and 2010.

	Assets Related to Discontinued Operations as of December 31,		**Liabilities Related to Discontinued Operations as of December 31,**	
(Amounts in thousands)	**2012**	**2011**	**2012**	**2011**
Kings Plaza	$ -	$ 137,418	$ -	$ 250,000

	For the Year Ended December 31,		
(Amounts in thousands)	**2012**	**2011**	**2010**
Total revenues	$ 61,836	$ 69,006	$ 67,144
Total expenses[(1)]	36,512	42,791	48,858
	25,324	26,215	18,286
Net gain on sale	599,628	-	-
Income from discontinued operations	$ 624,952	$ 26,215	$ 18,286

(1) Includes fees to Vornado of $1,608, $1,801 and $1,517 for the years ended December 31, 2012, 2011 and 2010, respectively.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. MARKETABLE SECURITIES

As of December 31, 2012, we own 535,265 Macerich common shares, or approximately 0.39% of its outstanding common shares. These shares were received as part of the consideration for the sale of Kings Plaza and have an economic basis of $56.05 per share, or $30,000,000 in the aggregate. As of December 31, 2012, these shares have an aggregate fair value of $31,206,000, based on Macerich's closing share price of $58.30 per share at December 31, 2012. These shares are included in "marketable securities" on our consolidated balance sheet and are classified as available-for-sale. Available-for-sale securities are presented at fair value. Unrealized gains and losses resulting from the mark-to-market of these securities are included in "other comprehensive income" and are recognized in earnings only upon the sale of the securities. Other comprehensive income includes a $1,206,000 unrealized gain for the year ended December 31, 2012.

6. MORTGAGES PAYABLE

The following is a summary of outstanding mortgages payable.

(Amounts in thousands)	Maturity	Interest Rate at December 31, 2012	Balance at December 31, 2012	2011
First mortgages secured by:				
Rego Park I shopping center (100% cash collateralized)	Mar. 2013	0.50 %	$ 78,246	$ 78,246
731 Lexington Avenue, office space	Feb. 2014	5.33 %	327,425	339,890
731 Lexington Avenue, retail space(1)	Jul. 2015	4.93 %	320,000	320,000
Paramus	Oct. 2018	2.90 %	68,000	68,000
Rego Park II shopping center(2)	Nov. 2018	2.06 %	272,245	274,796
			$1,065,916	$1,080,932

(1) In the event of a substantial casualty, as defined, up to $75,000 of this loan may become recourse to us.
(2) This loan bears interest at LIBOR plus 1.85%.

All of our debt is secured by mortgages and/or pledges of the stock of the subsidiaries holding the properties. The net carrying value of real estate collateralizing the debt amounted to $746,867,000 at December 31, 2012. Our existing financing documents 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 to prepay them. As of December 31, 2012, the principal repayments for the next five years and thereafter are as follows:

(Amounts in thousands)	
Year Ending December 31,	**Amount**
2013	$ 94,203
2014	317,179
2015	323,193
2016	3,440
2017	3,707
Thereafter	324,194

We may refinance our maturing debt as it comes due or choose to repay it at maturity.

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ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. STOCK-BASED 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, and any other person or entity as designated by the Omnibus Stock Plan Committee of our Board of Directors. As of December 31, 2012, there were 2,080 DSUs outstanding and 892,920 shares were available for future grant. We account for all stock-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*.

DSUs

In May 2012, the Company granted each of the members of its Board of Directors, 129 DSUs with a grant date fair value of $37,500 per grant, or $300,000 in the aggregate. The DSUs entitle the holder to receive shares of the Company's 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 the Company's Board of Directors.

8. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement and Disclosures* defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). 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 sheet at December 31, 2012 consists of marketable securities and is presented in the table below, based on its level in the fair value hierarchy. There were no financial assets measured at fair value at December 31, 2011 and no financial liabilities measured at fair value at December 31, 2012 and 2011.

	As of December 31, 2012			
(Amounts in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$ 31,206	$ 31,206	$ -	$ -

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ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. 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, short-term investments, mortgages payable and leasing commissions due to Vornado. Cash equivalents and short-term investments 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 (primarily money market funds) is classified as Level 1 and the fair value of short-term investments, 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 December 31, 2012 and 2011.

	As of December 31, 2012		**As of December 31, 2011**	
(Amounts in thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets:				
Cash equivalents	$ 289,054	$ 289,054	$ 35,000	$ 35,000
Short-term investments	-	-	5,000	5,000
	$ 289,054	$ 289,054	$ 40,000	$ 40,000
Liabilities:				
Mortgages payable	$ 1,065,916	$ 1,097,000	$ 1,080,932	$ 1,102,000
Leasing commissions (included in Amounts due to Vornado)	45,803	46,000	40,728	41,000
	$ 1,111,719	$ 1,143,000	$ 1,121,660	$ 1,143,000

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. LEASES

As Lessor

We lease space to tenants in an office building and in retail centers. The rental terms range from approximately 5 to 25 years. The leases provide for the payment of fixed base rents payable monthly in advance as well as reimbursements of real estate taxes, insurance and maintenance costs. Retail leases may also provide for the payment by the lessee of additional rents based on a percentage of their sales.

Future base rental revenue under these non-cancelable operating leases is as follows:

(Amounts in thousands)

Year Ending December 31,		**Amount**
2013	$	125,249
2014		125,536
2015		125,642
2016		117,257
2017		118,500
Thereafter		1,124,840

These future minimum amounts do not include additional rents based on a percentage of tenants' sales. For the years ended December 31, 2012, 2011, and 2010, these rents were $416,000, $427,000, and $418,000, respectively.

Bloomberg accounted for $86,468,000, $84,526,000 and $83,137,000, or 45%, 46% and 48% of our total revenues in the years ended December 31, 2012, 2011 and 2010, respectively. No other tenant accounted for more than 10% of our total 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 financial condition and results of operations. 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.

As Lessee

We are a tenant under a long-term ground lease at our Flushing property, which expires in 2027 and has one 10-year extension option. Future lease payments under this operating lease, excluding the extension option, are as follows:

(Amounts in thousands)

Year Ending December 31,	Amount
2013	$ 700
2014	700
2015	700
2016	700
2017	792
Thereafter	7,266

Rent expense was $746,000 in each of the years ended December 31, 2012, 2011 and 2010.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. 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 terrorist acts, 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 ("TRIPRA"). Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence. 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 borne by FNSIC.

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.

Flushing Property

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 has appealed the Court's original decision. We believe, after consultation with counsel, that the amount or range of reasonably possible losses, if any, cannot be estimated.

Paramus

In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a 40-year term with 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 $4,058,000 of standby letters of credit were issued and outstanding as of December 31, 2012.

Other

There are various legal actions against us in the ordinary course of business. In our opinion, the outcome of such matters 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)

11. MULTIEMPLOYER BENEFIT PLANS

Our subsidiaries make contributions to certain multiemployer defined benefit plans ("Multiemployer Pension Plans") and health plans ("Multiemployer Health Plans") for our union represented employees, pursuant to the respective collective bargaining agreements.

Multiemployer Pension Plans

Multiemployer Pension Plans differ from single-employer pension plans in that (i) contributions to multiemployer plans may be used to provide benefits to employees of other participating employers and (ii) if other participating employers fail to make their contributions, each of our subsidiaries may be required to bear their pro-rata share of unfunded obligations. If a participating subsidiary withdraws from a plan in which it participates, it may be subject to a withdrawal liability. As of December 31, 2012, our subsidiaries' participation in these plans were not significant to our consolidated financial statements.

In the years ended December 31, 2012, 2011 and 2010 our subsidiaries contributed $196,000, $215,000 and $229,000, respectively, towards Multiemployer Pension Plans. Of these amounts, $135,000, $140,000 and $149,000, in the years ended December 31, 2012, 2011 and 2010, respectively, represent contributions associated with continuing operations, which are included as a component of "operating" expenses on our consolidated statements of income. Our subsidiaries' contributions did not represent more than 5% of total employer contributions in any of these plans for the years ended December 31, 2012, 2011 and 2010.

Multiemployer Health Plans

Multiemployer Health Plans in which our subsidiaries participate provide health benefits to eligible active and retired employees. In the years ended December 31, 2012, 2011 and 2010 our subsidiaries contributed $734,000, $731,000 and $735,000, respectively, towards these plans. Of these amounts, $484,000, $480,000 and $510,000 in the years ended December 31, 2012, 2011 and 2010, respectively, represent contributions associated with continuing operations, which are included as a component of "operating" expenses on our consolidated statements of income.

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 deferred stock units) outstanding during the period. Diluted income per share is determined using the weighted average shares of common stock (including deferred stock units) 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 years ended December 31, 2012, 2011 and 2010.

	For the Years Ended December 31,		
(Amounts in thousands, except share and per share amounts)	**2012**	**2011**	**2010**
Income from continuing operations	$ 50,041	$ 54,831	$ 49,159
Income from discontinued operations, net of income attributable to the noncontrolling interest	624,346	24,592	17,270
Net income attributable to common stockholders – basic and diluted	$ 674,387	$ 79,423	$ 66,429
Weighted average shares outstanding – basic and diluted	5,107,610	5,106,568	5,105,936
Income from continuing operations	$ 9.80	$ 10.74	$ 9.63
Income from discontinued operations, net	122.24	4.81	3.38
Net income per common share – basic and diluted	$ 132.04	$ 15.55	$ 13.01

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

(Amounts in thousands, except per share amounts)	**Revenues**	**Net Income Attributable to Common Stockholders**	**Net Income Per Common Share[1] Basic**