

ALEXANDERS INC

FORM 10-K (Annual Report)

Filed 02/25/08 for the Period Ending 12/31/07

Address	210 ROUTE 4 EAST PARAMUS, NJ 07652
Telephone	201-587-1000
CIK	0000003499
Symbol	ALX
SIC Code	6798 - Real Estate Investment Trusts
Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

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

For the Fiscal Year Ended: December 31, 2007

OR

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

For the transition period from _____ to _____

Commission File Number: 001-6064

ALEXANDER'S, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

51-0100517

(IRS Employer
Identification No.)

210 Route 4 East, Paramus, New Jersey

(Address of principal executive offices)

07652

(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

Common Stock, \$1 par value per share

Name of each exchange on which registered

New York Stock Exchange

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

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

YES NO

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

YES NO

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

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

TABLE OF CONTENTS

Item	Page
Part I.	
1. Business	4
1A. Risk Factors	7
1B. Unresolved Staff Comments	14
2. Properties	15
3. Legal Proceedings	19
4. Submission of Matters to a Vote of Security Holders	19
Executive Officers of the Registrant	19
Part II.	
5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	20
6. Selected Financial Data	22
7. Management’s Discussion and Analysis of Financial Condition and Results of Operation	23
7A. Quantitative and Qualitative Disclosures about Market Risk	34
8. Financial Statements and Supplementary Data	35
9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	54
9A. Controls and Procedures	54
9B. Other Information	56
Part III.	
10. Directors, Executive Officers and Corporate Governance ⁽¹⁾	56
11. Executive Compensation ⁽¹⁾	56
12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters ⁽¹⁾	56
13. Certain Relationships and Related Transactions, and Director Independence ⁽¹⁾	57
14. Principal Accounting Fees and Services ⁽¹⁾	57
Part IV.	
15. Exhibits, Financial Statement Schedules	58
Signatures	59

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

FORWARD-LOOKING STATEMENTS

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

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly, any revisions to our forward-looking statements to reflect events or circumstances after the date of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

GENERAL

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

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

Operating properties

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

Property under development

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

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

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

Property to be developed

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

Significant Tenants

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

Relationship with Vornado

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

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

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

Environmental Matters

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

Competition

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

Employees

We currently have 99 employees.

Executive Office

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

Available Information

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

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

ITEM 1A. RISK FACTORS

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

REAL ESTATE INVESTMENTS' VALUE AND INCOME FLUCTUATE DUE TO VARIOUS FACTORS.

The value of real estate fluctuates depending on conditions in the general economy and the real estate business. These conditions may also limit our revenues and available cash.

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

- national, regional and local economic conditions;
- consequences of any armed conflict involving, or terrorist attack against, the United States;
- our ability to secure adequate insurance;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- competition from other available space;
- whether tenants and users such as customers and shoppers consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- whether we are able to pass some or all of any increased operating costs through to tenants;
- how well we manage our properties;
- fluctuations in interest rates;
- changes in real estate taxes and other expenses;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- changes in taxation or zoning laws;
- government regulation;
- availability of financing on acceptable terms or at all;
- potential liability under environmental or other laws or regulations; and
- general competitive factors.

The rents we receive and the occupancy levels at our properties may decline as a result of adverse changes in any of these factors. If our rental revenues and/or occupancy levels decline, we generally would expect to have less cash available to pay our indebtedness and distribute to our stockholders. In addition, some of our major expenses, including mortgage payments, real estate taxes and maintenance costs, generally do not decline when the related rents decline.

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

Our financial results depend significantly on leasing space in our properties to tenants on economically favorable terms. In addition, because a majority of our income is derived from renting real property, our income, funds available to pay indebtedness and funds available for distribution to our stockholders will decrease if a significant number of our tenants cannot pay their rent or if we are not able to maintain our level of occupancy on favorable terms. If a tenant does not pay its rent, we might not be able to enforce our rights as landlord without delays and might incur substantial legal and other costs.

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

From time to time, some of our tenants have declared bankruptcy, and other tenants may declare bankruptcy or become insolvent in the future. If a major tenant declares bankruptcy or becomes insolvent, the rental property at which it leases space may have lower revenues and operational difficulties. In the case of our shopping centers, the bankruptcy or insolvency of a major tenant could cause us to have difficulty leasing the remainder of the affected property. Our leases generally do not contain restrictions designed to ensure the creditworthiness of our tenants. As a result, the bankruptcy or insolvency of a major tenant could result in a lower level of net income and funds available for the payment of our indebtedness or distribution to our stockholders.

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

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

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

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

Real estate is a competitive business.

We operate in a highly competitive environment. All of our properties are located in the greater New York City metropolitan area. We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, attractiveness of location, the quality of the property and breadth and quality of services provided. Our success depends upon, among other factors, trends of national and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends.

We may incur costs to comply with environmental laws.

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

Each of our properties has been subjected to varying degrees of environmental assessment at various times. Except as referenced below, the environmental assessments did not, as of the date of this Annual Report on Form 10-K, reveal any environmental condition material to our business. However, identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, discovery of additional sites, human exposure to the contamination or changes in cleanup or compliance requirements could result in significant costs to us.

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

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

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

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for the purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance and/or refinance our properties.

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

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

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

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

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

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

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

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

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

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

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

All of our properties are located in the greater New York City metropolitan area. In the aftermath of a terrorist attack, tenants in this area may choose to relocate their businesses to less populated, lower-profile areas of the United States that are not as likely to be targets of future terrorist activity and fewer customers may choose to patronize businesses in this area. This would trigger a decrease in the demand for space in these markets, which could increase vacancies in our properties and force us to lease our properties on less favorable terms. As a result, the value of our properties and the level of our revenues could decline materially.

WE MAY ACQUIRE OR SELL ADDITIONAL ASSETS OR DEVELOP ADDITIONAL PROPERTIES. OUR FAILURE OR INABILITY TO CONSUMMATE THESE TRANSACTIONS OR MANAGE THE RESULTS OF THESE TRANSACTIONS COULD ADVERSELY AFFECT OUR OPERATIONS AND FINANCIAL RESULTS.

We may acquire or develop properties and this may create risks.

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

It may be difficult to buy and sell real estate quickly.

Real estate investments are relatively difficult to buy and sell quickly. Consequently, we may have limited ability to vary our portfolio promptly in response to changes in economic or other conditions. Moreover, our ability to buy, sell, or finance real estate assets may be adversely affected during periods of uncertainty or unfavorable conditions in the credit markets as we, or potential buyers of our assets, may experience difficulty in obtaining financing.

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

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

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

In addition, our participation in any distribution of the assets of any of our direct or indirect subsidiaries upon the liquidation, reorganization or insolvency of the subsidiary, is only after the claims of the creditors, including trade creditors, and preferred security holders, if any, of the applicable direct or indirect subsidiaries are satisfied.

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

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

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

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

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

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

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

Although we believe that we will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, we might fail to remain qualified. Qualification as a REIT for federal income tax purposes is governed by highly technical and complex provisions of the Internal Revenue Code (the "Code") for which there are only limited judicial or administrative interpretations. Qualification as a REIT also depends on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions might significantly change the tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualification as a REIT.

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

We face possible adverse changes in tax laws.

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

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

We are dependent on the efforts of Steven Roth, our Chief Executive Officer, and Michael D. Fascitelli, our President. While we believe that we could find replacements for these key personnel, the loss of their services could harm our operations and adversely affect the value of our common stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the extent of institutional investor interest in us;
- the reputation of REITs generally and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- our financial condition and performance; and
- general financial market and economic conditions.

The stock market in recent years has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 2. PROPERTIES

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

Property	Land Area	Building Area	Average Annualized Rent Per Square Foot	Percent Leased	Significant Tenants	Square Footage Leased	Lease Expiration/Option Expiration(s)
Operating Properties:							
731 Lexington Avenue New York, New York	84,420 sq.ft.						
Office		885,000	\$ 76.55	100%	Bloomberg L.P. Citibank N.A.	697,000 176,000	2030/2040 2016
Retail		<u>174,000</u> 1,059,000 ⁽¹⁾	\$ 141.76	100%	The Home Depot The Container Store Hennes & Mauritz	83,000 34,000 27,000	2025/2035 2021 2020
Kings Plaza Regional Shopping Center							
Brooklyn, New York	24.3 acres	759,000 ⁽²⁾	\$ 38.83	94%	Sears 123 Mall tenants Lowe's (ground lessee) Macy's ⁽³⁾	289,000 428,000 — N/A	2023/2033 Various 2028/2053 N/A
Rego Park I							
Queens Boulevard and 63 rd Rd Queens, New York	4.8 acres	351,000 ⁽²⁾	\$ 33.94	100%	Sears Circuit City Bed Bath & Beyond Marshalls	195,000 50,000 46,000 39,000	2021/2031 2021 2013/2021 2021
Routes 4 and 17 Paramus, New Jersey	30.3 acres	—	—	100%	IKEA (ground lessee)	—	2041
Roosevelt Avenue and Main Street ⁽⁴⁾							
Queens, New York	44,975 sq. ft.	177,000 ⁽²⁾	—	—	—	—	—
Property Under Development:							
Rego Park II (600,000 square feet under development) Adjacent to Rego Park I							
Queens, New York	6.6 acres	—	—	67%	Home Depot Century 21 Kohl's	138,000 134,000 132,000	
Property to be Developed:							
Rego Park III Adjacent to Rego Park II							
Queens, New York	3.4 acres	—	—	—	—	—	—
		<u>2,346,000</u>					

(1) Excludes 248,000 square feet of residential space consisting of 105 condominium units, which were sold.

(2) Excludes parking garages.

(3) Owned by Macy's, Inc.

(4) Ground leased through January 2037.

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

Operating Properties

731 Lexington Avenue

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

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

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

Kings Plaza Regional Shopping Center

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

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

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

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Annual Rent of Expiring Leases		Percent of Total Leased Square Feet	Percent of 2007 Gross Annual Rentals
			Total	Per Square Foot		
Month to month	12	95,135	\$ 3,059,271	\$ 32.16	22.2%	12.8%
2008	4	16,790	594,806	35.43	3.9%	2.5%
2009	11	32,141	1,994,385	62.05	7.5%	8.3%
2010	13	20,442	1,803,243	88.21	4.8%	7.5%
2011	14	36,867	2,509,490	68.07	8.6%	10.5%
2012	11	37,108	2,102,894	56.67	8.7%	8.8%
2013	11	38,219	2,439,906	63.84	8.9%	10.2%
2014	7	42,400	2,557,524	60.32	9.9%	10.7%
2015	5	11,385	576,180	50.61	2.7%	2.4%
2016	8	26,571	1,762,085	66.32	6.2%	7.4%
2017	12	45,327	2,865,955	63.23	10.6%	12.0%
2018	7	25,597	1,681,051	65.67	6.0%	7.0%

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

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

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

Rego Park I

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

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

Paramus

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

Flushing

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

In the fourth quarter of 2003, we recognized \$1,289,000 of income representing a non-refundable purchase deposit of \$1,875,000, net of \$586,000 of costs associated with the transaction, from a party that agreed to purchase this property, as such party had not met its obligations under a May 30, 2002 purchase contract. On September 10, 2002, November 7, 2002, and July 8, 2004, we received letters from the party demanding return of the deposit. On December 28, 2005, the party filed a complaint against us in the Supreme Court of the State of New York alleging that we failed to honor the terms and conditions of the agreement. The complaint seeks specific performance and, if specific performance is denied, it seeks the return of the deposit plus interest and \$50,000 in costs. Pursuant to discussions with our legal counsel, we do not believe the party is entitled to either specific performance or a return of the deposit and we are defending against the action.

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

Property Under Development

Rego Park II

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

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

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

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

Property to be Developed

Rego Park III

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

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

Insurance

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

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for the purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance and/or refinance our properties.

ITEM 3. LEGAL PROCEEDINGS

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

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

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

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

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

EXECUTIVE OFFICERS OF THE REGISTRANT

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

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

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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

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

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

Recent Sales of Unregistered Securities

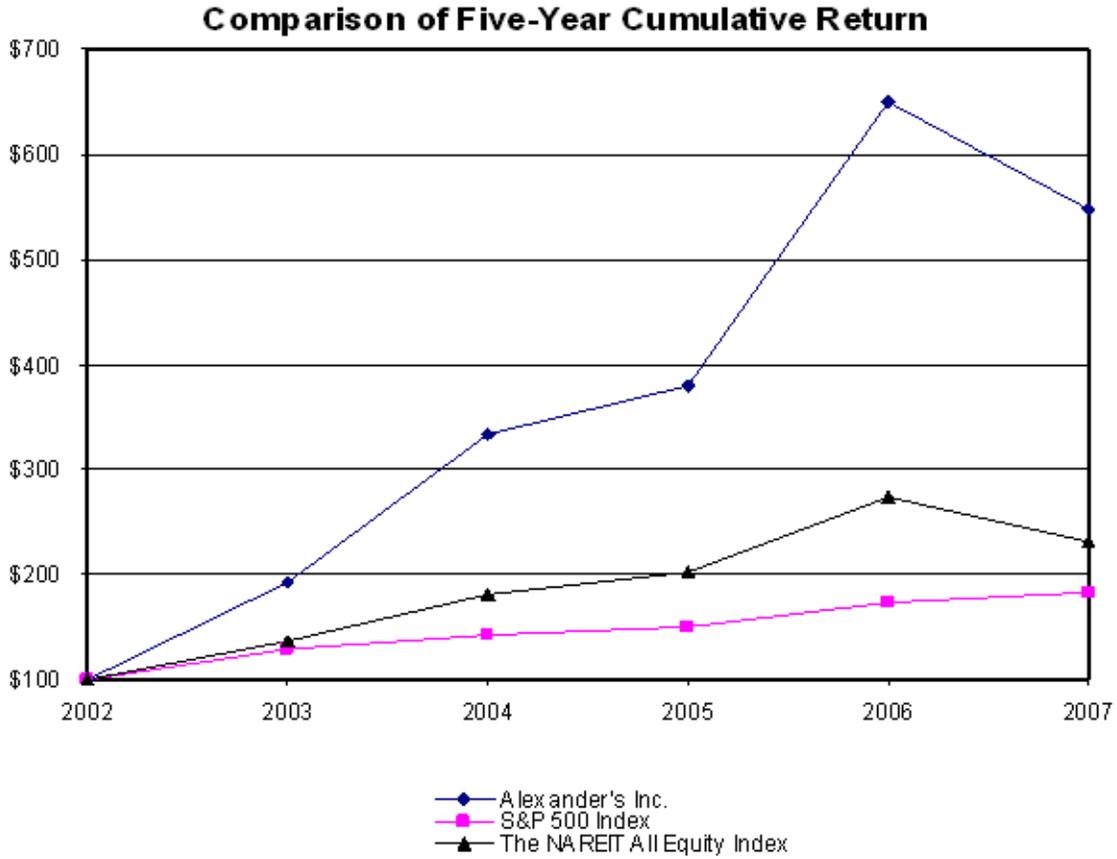
During 2007, we did not sell any unregistered securities.

Recent Purchases of Equity Securities

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

Performance Graph

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



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

ITEM 6. SELECTED FINANCIAL DATA

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

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

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

Overview

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

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

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

Year Ended December 31, 2007 Financial Results Summary

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

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

Rego Park Shopping Center

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

Overview - Continued

Kings Plaza

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

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

Stock Appreciation Rights

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

Critical Accounting Policies and Estimates

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

Real Estate

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

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

Allowance for Doubtful Accounts

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

Critical Accounting Policies and Estimates - Continued

Revenue Recognition

We have the following revenue sources and revenue recognition policies:

- Base Rent (revenue arising from tenant leases) – These rents are recognized over the non-cancelable term of the related leases on a straight-line basis, which includes the effects of rent steps and free rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.
- Percentage Rent (revenue arising from retail tenant leases that is contingent upon the sales of tenants exceeding defined thresholds) – These rents are recognized in accordance with Staff Accounting Bulletin No. 104, *Revenue Recognition*, which states that this contingent revenue is only to be recognized after the contingency has been removed (i.e., the sales threshold has been achieved).
- Expense Reimbursement (revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective properties) – This revenue is accrued in the same periods as the expenses are incurred.
- Condominium Sales (income arising from the sales of condominium units at the Lexington Avenue property) – Income on deposits received for sales of condominium units has been deferred in accordance with the deposit method of SFAS No. 66, *Accounting for Sales of Real Estate*. Gains on sales of condominium units are recognized under the percentage of completion method.

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

Stock Appreciation Rights

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

Income Taxes

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

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

Recently Issued Accounting Literature

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

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

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

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

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

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

Results of Operations

Years Ended December 31, 2007 and December 31, 2006

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

Property Rentals

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

Expense Reimbursements

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

Operating Expense

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

General and Administrative

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

Interest and Other Income, net

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

Interest and Debt Expense

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

Minority Interest of Partially Owned Entity

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

Results of Operations - Continued

Years Ended December 31, 2006 and December 31, 2005

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

Property Rentals

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

Expense Reimbursement

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

Operating Expenses

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

General and Administrative

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

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

Interest and Other Income, net

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

Interest and Debt Expense

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

Minority Interest of Partially Owned Entity

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

Related Party Transactions

Vornado

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

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

Management and Development Agreements

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

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

Leasing Agreements

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

Other Agreements

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

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

(Amounts in thousands)

	Year Ended December 31,		
	2007	2006	2005
Company management fees	\$ 3,000	\$ 3,000	\$ 3,000
Development fees	6,476	755	4,431
Leasing fees	4,411	4,505	11,671
Property management fees and payments for cleaning, engineering and security services	4,530	3,383	4,776
	<u>\$ 18,417</u>	<u>\$ 11,643</u>	<u>\$ 23,878</u>

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

Other

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

LIQUIDITY AND CAPITAL RESOURCES

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

Development Projects

Rego Park II

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

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

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

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

Insurance

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

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for the purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance and/or refinance our properties.

Stock Appreciation Rights

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

LIQUIDITY AND CAPITAL RESOURCES – Continued
Debt and Contractual Obligations

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

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

⁽¹⁾ In the event of a substantial casualty, up to \$75,000 of this loan may become recourse.

⁽²⁾ This loan bears interest at LIBOR plus 1.20%.

Below is a summary of our contractual obligations at December 31, 2007 :

(Amounts in thousands)	<u>Total</u>	<u>Less than One Year</u>	<u>One to Three Years</u>	<u>Three to Five Years</u>	<u>More than Five Years</u>
Contractual obligations:					
Long-term debt obligations	\$ 1,431,520	\$ 79,738	\$ 283,089	\$ 404,901	\$ 663,792
Operating lease obligations	15,419	795	1,606	2,409	10,609
Purchase obligations, primarily construction commitments	116,700	94,294	22,406	—	—
Other obligations	204,353	145,437 ⁽¹⁾	8,000	12,000	38,916
	<u>\$ 1,767,992</u>	<u>\$ 320,264</u>	<u>\$ 315,101</u>	<u>\$ 419,310</u>	<u>\$ 713,317</u>
Commitments:					
Standby letters of credit	<u>\$ 7,998</u>	<u>\$ 7,998</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

⁽¹⁾ Includes \$141,437 of liabilities for SARs.

The table above excludes \$46,119,000 of FIN 48 liabilities for which the timing of future cash outflows is highly uncertain.

LIQUIDITY AND CAPITAL RESOURCES – Continued

Cash Flows

Rental income from our properties is our principal source of operating cash flow. Our property rental income 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, non-development capital improvements and interest expense. Other sources of liquidity to fund our cash requirements include our existing cash, proceeds from debt financings, including mortgage or construction loans secured by our properties and proceeds from asset sales.

Year Ended December 31, 2007

Cash and cash equivalents were \$560,231,000 at December 31, 2007, compared to \$615,516,000 at December 31, 2006, a decrease of \$55,285,000. This decrease resulted primarily from \$111,612,000 of net cash used in investing activities, primarily related to capital expenditures at our Rego Park II project, partially offset by, \$30,035,000 of net cash provided by financing activities and \$26,292,000 of net cash provided by operating activities.

Net cash provided by operating activities of \$26,292,000 was primarily comprised of (i) net income of \$114,341,000, partially offset by, (ii) the net change in operating assets and liabilities of \$55,216,000 and (iii) adjustments for non-cash items of \$32,833,000. The net change in operating assets and liabilities was primarily comprised of a \$50,465,000 payment for a portion of the liability for SARs compensation expense. The adjustments for non-cash items were primarily comprised of (a) a reversal of a portion of the liability for SARs compensation expense of \$43,536,000 and (b) straight-lining of rental income of \$15,456,000, partially offset by, (c) depreciation and amortization of \$24,991,000 and (d) minority interest of \$1,168,000.

Net cash used in investing activities of \$111,612,000 was primarily comprised of capital expenditures of \$110,307,000, primarily related to the development of our Rego Park II project.

Net cash provided by financing activities of \$30,035,000 was primarily comprised of \$55,786,000 of proceeds from a construction loan to fund expenditures, for our Rego Park II project, partially offset by \$14,087,000 for scheduled repayments of borrowings and \$12,227,000 for debt issuance costs in connection with obtaining a construction loan.

Year Ended December 31, 2006

Cash and cash equivalents were \$615,516,000 at December 31, 2006, compared to \$578,406,000 at December 31, 2005, an increase of \$37,110,000. This increase resulted primarily from \$56,844,000 of net cash provided by operating activities, partially offset by \$9,608,000 of net cash used in investing activities and \$10,126,000 of net cash used in financing activities.

Net cash provided by operating activities of \$56,844,000 was primarily comprised of (i) adjustments for non-cash items of \$132,460,000, partially offset by, (ii) net loss of \$74,983,000 and (iii) a net change in operating assets and liabilities of \$633,000. The adjustments for non-cash items were primarily comprised of (i) liabilities for SARs compensation expense of \$148,613,000, and (ii) depreciation and amortization of \$24,461,000, partially offset by, (iii) a pre-tax net gain of \$24,529,000 from the sale of residential condominiums at 731 Lexington Avenue, (ii) straight-lining of rental income of \$14,990,000 and (iv) minority interest of \$1,095,000.

Net cash used in investing activities of \$9,608,000 was primarily comprised of capital expenditures of \$48,073,000 partially offset by, \$39,383,000 of net proceeds from the sale of residential condominiums at 731 Lexington Avenue.

Net cash used in financing activities of \$10,126,000 was primarily comprised of repayments of borrowings of \$10,967,000, partially offset by \$841,000 for the exercise of share options.

LIQUIDITY AND CAPITAL RESOURCES – Continued

Year Ended December 31, 2005

Cash and cash equivalents were \$578,406,000 at December 31, 2005, compared to \$128,874,000 at December 31, 2004, an increase of \$449,532,000. This increase resulted primarily from \$337,516,000 and \$118,135,000 of net cash provided by investing activities and financing activities, respectively, partially offset by, \$6,119,000 of net cash used in operating activities.

Net cash used in operating activities of \$6,119,000 was primarily comprised of (i) adjustments for non-cash items of \$88,656,000, partially offset by, (ii) net income of \$82,241,000 and (iii) a net change in operating assets and liabilities of \$296,000. The adjustments for non-cash items were primarily comprised of (i) a pre-tax net gain of \$112,768,000 from the sale of residential condominiums at 731 Lexington Avenue, (ii) straight-lining of rental income of \$29,298,000, partially offset by (iii) liabilities for SARs compensation expense of \$27,588,000, (iv) depreciation and amortization of \$22,836,000, and (v) minority interest of \$2,250,000.

Net cash provided by investing activities of \$337,516,000 was primarily comprised of (i) net proceeds from the sale of residential condominiums at 731 Lexington Avenue of \$455,012,000, partially offset by (ii) capital expenditures of \$110,481,000 and (iii) real estate acquisitions of \$7,121,000.

Net cash provided by financing activities of \$118,135,000 was primarily comprised of (i) proceeds from borrowing of \$344,832,000, partially offset by (ii) repayments of borrowings of \$217,895,000 and (iii) debt issuance costs of \$9,517,000.

Funds from Operations (“FFO”) for the Years Ended December 31, 2007 and 2006

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 net income or loss determined in accordance with Generally Accepted Accounting Principles (“GAAP”), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in the Company’s Statements of Cash Flows. FFO should not be considered as an alternative to net income as an indicator of the Company’s operating performance or as an alternative to cash flows as a measure of liquidity.

FFO for the year ended December 31, 2007 was \$136,284,000, or \$26.75 per diluted share, compared to negative FFO of \$53,242,000, or \$10.59 per diluted share, for the year ended December 31, 2006.

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

(Amounts in thousands, except share and per share amounts)	For the Year Ended December 31,	
	2007	2006
Net income (loss)	\$ 114,341	\$ (74,983)
Depreciation and amortization of real property	21,943	21,741
FFO (Negative FFO)	<u>\$ 136,284</u>	<u>\$ (53,242)</u>
FFO (Negative FFO) per common share – diluted	<u>\$ 26.75</u>	<u>\$ (10.59)</u>
Weighted average shares used in computing FFO (Negative FFO) per diluted share	<u>5,094,488</u>	<u>5,025,726</u>

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)	Balance as of December 31, 2007	Weighted-Average Interest Rate	Effect of 1% Change in Base Rates
Variable	\$ 55,786	6.13%	\$ 558
Fixed Rate	1,054,411	5.80%	—
	<u>\$ 1,110,197</u>		<u>\$ 558</u>
Total effect on diluted earnings per share			<u>\$ 0.11</u>

The fair value of our debt, estimated by discounting the future contractual cash flows of our existing debt using the current rates available to borrowers with similar credit ratings for the remaining terms of such debt, exceeded the aggregate carrying amount by approximately \$19,254,000 at December 31, 2007.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

PageNumber

Report of Independent Registered Public Accounting Firm	36
Consolidated Balance Sheets at December 31, 2007 and 2006	37
Consolidated Statements of Operations for the Years Ended December 31, 2007, 2006 and 2005	38
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2007, 2006 and 2005	39
Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006 and 2005	40
Notes to Consolidated Financial Statements	41

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, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. 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, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, 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 Notes 2 and 6 to the consolidated financial statements, on January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.*"

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, 2007, 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 25, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 25, 2008

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

	December 31,	
	2007	2006
ASSETS		
Real estate, at cost:		
Land	\$ 69,455	\$ 69,455
Buildings, leaseholds and leasehold improvements	593,818	579,595
Construction in progress	171,808	43,338
Total	835,081	692,388
Accumulated depreciation and amortization	(96,183)	(80,779)
Real estate, net	738,898	611,609
Cash and cash equivalents	560,231	615,516
Restricted cash	4,987	3,682
Accounts receivable, net of allowance for doubtful accounts of \$667 and \$481, respectively	6,217	3,593
Receivable arising from the straight-lining of rents	130,483	115,027
Deferred lease and other property costs, net (including unamortized leasing fees to Vornado of \$41,988 and \$43,163, respectively)	66,243	69,119
Deferred debt issuance costs, net of accumulated amortization of \$10,468, and \$7,820, respectively	15,553	18,201
Other assets	9,798	10,495
TOTAL ASSETS	\$ 1,532,410	\$ 1,447,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt	\$ 1,110,197	\$ 1,068,498
Amounts due to Vornado	40,561	35,366
Accounts payable and accrued expenses	55,655	41,140
Liability for stock appreciation rights	141,437	236,176
Other liabilities	47,134	37,725
TOTAL LIABILITIES	1,394,984	1,418,905
MINORITY INTEREST	2,323	1,155
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
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, 5,043,950 and 5,035,950 shares, respectively	5,173	5,173
Additional paid-in capital	27,636	27,118
Retained earnings (accumulated deficit) (including a reduction of \$6,983 for the cumulative effect of change in accounting principle in 2007)	103,014	(4,344)
	135,823	27,947
Treasury stock: 129,500 and 137,500 shares, at cost	(720)	(765)
TOTAL STOCKHOLDERS' EQUITY	135,103	27,182
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,532,410	\$ 1,447,242

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2007	2006	2005
REVENUES			
Property rentals	\$ 141,629	\$ 137,072	\$ 132,949
Expense reimbursements	66,351	61,700	54,136
Total revenues	<u>207,980</u>	<u>198,772</u>	<u>187,085</u>
EXPENSES			
Operating (including fees to Vornado of \$5,370, \$4,223 and \$5,616, respectively)	70,496	71,980	64,872
General and administrative (including a reversal of stock appreciation rights ("SARs") expense of \$43,536, in 2007 and SARs expense of \$148,613, and \$27,588, in 2006 and 2005, respectively, and management fees to Vornado of \$2,160 in each year)	(38,339)	154,844	32,393
Depreciation and amortization	22,343	21,813	19,877
Total expenses	<u>54,500</u>	<u>248,637</u>	<u>117,142</u>
OPERATING INCOME (LOSS)	153,480	(49,865)	69,943
Interest and other income, net	27,351	28,257	14,769
Interest and debt expense (including interest to Vornado of \$2,187, \$3,025, and \$8,853, respectively)	(65,322)	(67,726)	(62,678)
Write off of unamortized deferred debt expense	—	—	(736)
Minority interest of partially owned entity	(1,168)	1,095	—
Income (loss) before net gain on sale of condominiums	114,341	(88,239)	21,298
Net gain on sale of condominiums	—	24,529	112,768
Income tax expense of taxable REIT subsidiary	—	(11,273)	(51,825)
NET INCOME (LOSS)	<u>\$ 114,341</u>	<u>\$ (74,983)</u>	<u>\$ 82,241</u>
Net income (loss) per common share - basic	<u>\$ 22.68</u>	<u>\$ (14.92)</u>	<u>\$ 16.38</u>
Net income (loss) per common share - diluted	<u>\$ 22.44</u>	<u>\$ (14.92)</u>	<u>\$ 16.19</u>

See notes to consolidated financial statements.

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

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Equity</u>
Balance, January 1, 2005	\$ 5,173	\$ 25,685	\$ (11,602)	\$ (888)	\$ 18,368
Net income	—	—	82,241	—	82,241
Common shares issued under share option plan	—	658	—	57	715
Balance, December 31, 2005	5,173	26,343	70,639	(831)	101,324
Net loss	—	—	(74,983)	—	(74,983)
Common shares issued under share option plan	—	775	—	66	841
Balance, December 31, 2006	5,173	27,118	(4,344)	(765)	27,182
Cumulative effect of change in accounting principle	—	—	(6,983)	—	(6,983)
Balance, January 1, 2007	5,173	27,118	(11,327)	(765)	20,199
Net income	—	—	114,341	—	114,341
Common shares issued under share option plan	—	518	—	45	563
Balance, December 31, 2007	<u>\$ 5,173</u>	<u>\$ 27,636</u>	<u>\$ 103,014</u>	<u>\$ (720)</u>	<u>\$ 135,103</u>

See notes to consolidated financial statements.

ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended December 31,		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss):	\$ 114,341	\$ (74,983)	\$ 82,241
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Liability for stock appreciation rights	(43,536)	148,613	27,588
Net gain on sale of condominiums	—	(24,529)	(112,768)
Straight-lining of rental income	(15,456)	(14,990)	(29,298)
Depreciation and amortization (including amortization of debt issuance costs)	24,991	24,461	22,836
Minority interest of partially owned entity	1,168	(1,095)	2,250
Write-off of unamortized deferred debt expense	—	—	736
Change in operating assets and liabilities:			
Accounts receivable	(2,624)	(378)	1,657
Other assets	(1,631)	(4,017)	(8,414)
Amounts due to Vornado	5,195	1,042	8,628
Accounts payable and accrued expenses	(8,117)	4,070	7,840
Payment for stock appreciation rights	(50,465)	—	(60,837)
Income tax liability of taxable REIT subsidiary	2,466	(1,285)	37,955
Other liabilities	(40)	(65)	13,467
Net cash provided by (used in) operating activities	<u>26,292</u>	<u>56,844</u>	<u>(6,119)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sale of condominiums	—	39,383	455,012
Additions to real estate	(110,307)	(48,073)	(110,481)
Real estate acquisitions	—	—	(7,121)
Cash restricted for operating liabilities	(1,305)	(918)	106
Net cash (used in) provided by investing activities	<u>(111,612)</u>	<u>(9,608)</u>	<u>337,516</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	55,786	—	344,832
Debt repayments	(14,087)	(10,967)	(217,895)
Debt issuance costs	(12,227)	—	(9,517)
Proceeds from the exercise of stock options	563	841	715
Net cash provided by (used in) financing activities	<u>30,035</u>	<u>(10,126)</u>	<u>118,135</u>
Net (decrease) increase in cash and cash equivalents	(55,285)	37,110	449,532
Cash and cash equivalents at beginning of year	615,516	578,406	128,874
Cash and cash equivalents at end of year	<u>\$ 560,231</u>	<u>\$ 615,516</u>	<u>\$ 578,406</u>
SUPPLEMENTAL INFORMATION			
Cash payments for interest (of which \$4,567, \$1,378 and \$6,935 have been capitalized)	<u>\$ 64,839</u>	<u>\$ 66,526</u>	<u>\$ 66,321</u>
Cash payments for income taxes	<u>\$ 1,580</u>	<u>\$ 12,558</u>	<u>\$ 13,870</u>
NON-CASH TRANSACTIONS			
Additions to real estate included in accounts payable and accrued expenses	<u>\$ 21,894</u>	<u>\$ —</u>	<u>\$ —</u>

See notes to consolidated financial statements.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

Operating properties

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

Property under development

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

Property to be developed

- (vii) the Rego Park III property, containing approximately 3.4 acres of land adjacent to our Rego Park II property in Queens, New York, which comprises one-quarter square block 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 other 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 significant intercompany amounts have been eliminated. Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Real Estate – Real estate is carried at cost, net of accumulated depreciation and amortization. Depreciation is provided on a straight-line basis over the assets' estimated useful lives, which range from 7 to 50 years. Betterments, significant renewals and certain costs directly related to the acquisition, improvement and leasing of real estate are capitalized. Maintenance and repairs are charged to operations as incurred. As real estate is undergoing development activities, all property operating expenses, including interest costs, are capitalized to the cost of the real property to the extent that we believe such costs are recoverable through the value of the property.

Our properties are reviewed for impairment if events or circumstances change indicating that the carrying amount of the property may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis to the carrying amount of the property. The carrying amount of an asset would be adjusted, if necessary, to reflect an impairment in the value of the asset. We had no impairment charges in each of the three years in the period ended December 31, 2007.

Cash and Cash Equivalents – Cash and cash equivalents consist of highly liquid investments purchased with original maturities of three months or less. Cash and cash equivalents do not include cash restricted under financing arrangements. Such cash is reflected on the consolidated balance sheets as "restricted cash."

Allowance for Doubtful Accounts – We periodically evaluate the collectibility of amounts due from tenants and maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents, if necessary. This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. 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.

Fair Value of Financial Instruments – The fair value of our debt, estimated by discounting the future contractual cash flows of our existing debt using the current rates available to borrowers with similar credit ratings for the remaining terms of such debt, exceeded the aggregate carrying amount by approximately \$19,254,000 at December 31, 2007, and was less than the aggregate carrying amount by approximately \$50,110,000 at December 31, 2006. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of our financial instruments.

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.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

Income Taxes – We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”). Pursuant to the Code, our net operating loss carryovers (“NOLs”) generally would be available to offset the amount of our REIT taxable income that would otherwise be required to be distributed as dividends to our stockholders.

At December 31, 2007 we have reported NOLs for federal tax purposes of approximately \$1,597,000, expiring in 2020. We also have investment and targeted jobs tax credits of approximately \$2,568,000 expiring from 2008 to 2014.

The following table reconciles net income (loss) to estimated REIT taxable income for the years ended December 31, 2007, 2006 and 2005.

(Unaudited and in thousands)	Years Ended December 31,		
	2007	2006	2005
Net income (loss)	\$ 114,341	\$ (74,983)	\$ 82,241
Straight-line rent adjustments	(15,456)	(14,990)	(29,298)
Depreciation and amortization timing differences	(746)	(1,256)	345
Interest expense	—	(410)	3,622
Stock appreciation rights compensation expense	(94,739)	148,613	16,751
Net income of the TRS	(4,090)	(6,193)	8,336
Gain of sale of condominiums	—	(13,256)	(60,943)
Other	1,094	(7,787)	(3,582)
Taxable income	404	29,738	17,472
NOL carry forward beginning balance	(2,001)	(31,739)	(49,211)
NOL carry forward ending balance	\$ (1,597)	\$ (2,001)	\$ (31,739)

At December 31, 2007, the net basis of our assets and liabilities for tax purposes are approximately \$94,000,000 lower than the amount reported for financial statement purposes.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Income Per Share – Basic income per share is computed based on weighted average shares of common stock outstanding during the period. Diluted income per share is computed based on the weighted average shares of common stock outstanding during the period and assumes all potentially dilutive securities were converted into common stock at the earliest date possible.

Stock Options – We account for all stock-based compensation in accordance with SFAS No. 123: *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148: *Accounting for Stock-Based Compensation - Transition and Disclosure* and as revised by SFAS No. 123R: *Share-Based Payment*. We adopted SFAS No. 123R using the modified prospective application, on January 1, 2006. There have been no stock option grants since 1999.

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

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

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

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

3. RELATED PARTY TRANSACTIONS

Vornado

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

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

Management and Development Agreements

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

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

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. RELATED PARTY TRANSACTIONS - Continued

Leasing Agreements

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

Other Agreements

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

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

(Amounts in thousands)

	<u>Year Ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Company management fees	\$ 3,000	\$ 3,000	\$ 3,000
Development fees	6,476	755	4,431
Leasing fees	4,411	4,505	11,671
Property management fees and payments for cleaning, engineering and security services	4,530	3,383	4,776
	<u>\$ 18,417</u>	<u>\$ 11,643</u>	<u>\$ 23,878</u>

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

Other

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

4. REGO PARK II PROJECT

We own approximately 6.6 acres of land adjacent to our Rego Park I property in Queens, New York, which comprises the entire square block bounded by the Horace Harding Service Road (of the Long Island Expressway), 97th Street, 62nd Drive and Junction Boulevard. The development at Rego Park II consists of a 600,000 square foot shopping center on four levels and a parking deck containing approximately 1,400 spaces. Construction has commenced, is expected to be completed in 2009 and estimated to cost approximately \$410,000,000, of which \$156,700,000 has been expended as of December 31, 2007. The development may also include an apartment tower containing 315 apartments. The shopping center will be anchored by a 134,000 square foot Century 21 department store, a 138,000 square foot Home Depot and a 132,000 square foot Kohl's.

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

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. DEBT

The following is a summary of our outstanding debt.

(Amounts in thousands)	Maturity	Interest Rate at December 31, 2007	Balance at December 31,	
			2007	2006
First mortgage, secured by the office space at the 731 Lexington Avenue property	Feb. 2014	5.33%	\$ 383,670	\$ 393,232
First mortgage, secured by the retail space at the 731 Lexington Avenue property ⁽¹⁾	Jul. 2015	4.93%	320,000	320,000
First mortgage, secured by the Kings Plaza Regional Shopping Center	Jun. 2011	7.46%	203,456	207,131
First mortgage, secured by the Rego Park I property	Jun. 2009	7.25%	79,285	80,135
First mortgage, secured by the Paramus property	Oct. 2011	5.92%	68,000	68,000
Construction loan, secured by the Rego Park II Shopping Center	Dec. 2010	6.13% ⁽²⁾	55,786	—
			<u>\$ 1,110,197</u>	<u>\$1,068,498</u>

(1) In the event of a substantial casualty, up to \$75,000 of this loan may become recourse to us.

(2) On December 21, 2007, we obtained a construction loan providing up to \$350,000 to finance the construction of our Rego Park project. The loan bears interest at LIBOR plus 1.20% and a term of three years with a one-year extension option.

As of December 31, 2007, the principal repayments for the next five years and thereafter are as follows:

(Amounts in thousands)	Amount
Year Ending December 31,	
2008	\$ 14,850
2009	93,304
2010	71,628
2011	270,523
2012	12,465
Thereafter	647,427

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 \$735,068,000 at December 31, 2007. 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, 2007, we were in compliance with our debt covenants.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INCOME TAX LIABILITY

We adopted the provisions of FIN 48 on January 1, 2007. Upon adoption, we recognized a \$6,983,000 increase in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 balance of accumulated deficit. At January 1, 2007 and December 31, 2007, we had \$43,653,000 and \$46,119,000, respectively, of unrecognized tax benefits that, if recognized, would result in non-cash income arising from the reversal of these items and a reduction of our effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is summarized in the table below.

(Amounts in thousands)	<u>Amount</u>
Balance at December 31, 2006	\$ 36,670
Cumulative effect of change accounting principle	6,983
Balance at January 1, 2007	43,653
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	2,466
Reduction for tax positions of prior years	—
Settlements	—
Balance at December 31, 2007	\$ <u>46,119</u>

We recognize interest related to the unrecognized tax benefits in “interest and debt expense” in our consolidated statement of operations. During the year ended December 31, 2007, we recognized \$2,466,000 of interest related to the unrecognized tax benefits. As of December 31, 2007, we have approximately \$7,513,000 of accrued interest related to the unrecognized tax benefits, which is included as a component of the \$46,119,000 presented above. During 2008, we anticipate a reduction in the liability for unrecognized tax benefits of approximately \$300,000, due to the expiration of the applicable year’s statute of limitations.

As of December 31, 2007, our 2003 – 2006 tax years remain open to examination by the applicable taxing authorities. During 2007, we were notified by the IRS of its intent to audit our 2005 federal tax return. We believe that our income tax liability is sufficient to cover any potential assessments that may arise from such examination.

7. MINORITY INTEREST

Prior to 2005, we owned and operated an energy plant that generated all of the electrical power at our Kings Plaza Regional Shopping Center. In April 2005, we contributed this 35 year old plant and \$750,000 in cash, for a 25% interest in a joint venture. In addition, we provided the joint venture with a \$15,350,000 loan (eliminated in consolidation). The joint venture rebuilt the plant at a total cost of approximately \$18,350,000 and began operations in March 2007. Pursuant to EITF Issue No. 04-05, we control the joint venture and accordingly, consolidate its accounts into our consolidated financial statements.

8. NET GAIN ON SALE OF CONDOMINIUMS

In the years ended December 31, 2006 and 2005, we recognized \$13,256,000 and \$60,943,000 of after-tax net gain from the sale of residential condominium units at our 731 Lexington Avenue property.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. LEASES

As Lessor

We lease space to tenants in retail centers and an office building. 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 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
2008	\$ 119,700
2009	119,037
2010	118,643
2011	116,817
2012	115,224
Thereafter	1,350,001

These future minimum amounts do not include additional rents based on a percentage of tenants' sales. For the years ended December 31, 2007, 2006, and 2005, these rents were \$722,000, \$649,000, and \$804,000, respectively.

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

As Lessee

We are a tenant under long-term leases that range from approximately 12 to 21 years. Future minimum lease payments under these operating leases are as follows:

(Amounts in thousands)	
Year Ending December 31,	Amount
2008	\$ 795
2009	803
2010	803
2011	803
2012	803
Thereafter	11,412

Rent expense was \$908,000, \$785,000, and \$662,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

10. COMMITMENTS AND CONTINGENCIES

Insurance

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

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for the purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance and/or refinance our properties.

Environmental Remediation

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

On December 12, 2005, an independent contractor that was retained by us to perform services in connection with the environmental remediation at our Kings Plaza Regional Shopping Center, filed a complaint against us in the Supreme Court of the State of New York alleging that we failed to honor the terms and conditions under an August 2005 agreement. The complaint sought approximately \$1,800,000 in damages, based on costs incurred, plus interest and legal fees. In October 2006, we settled this matter for \$1,100,000, which we have capitalized.

Flushing Property

In the fourth quarter of 2003, we recognized \$1,289,000 of income representing a non-refundable purchase deposit of \$1,875,000, net of \$586,000 of costs associated with the transaction, from a party that agreed to purchase this property, as such party had not met its obligations under a May 30, 2002 purchase contract. On September 10, 2002, November 7, 2002, and July 8, 2004, we received letters from the party demanding return of the deposit. On December 28, 2005, the party filed a complaint against us in the Supreme Court of the State of New York alleging that we failed to honor the terms and conditions of the agreement. The complaint seeks specific performance and, if specific performance is denied, it seeks the return of the deposit plus interest and \$50,000 in costs. We do not believe the party is entitled to either specific performance or a return of the deposit and we are defending against the action.

Other

There are various other 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)

10. COMMITMENTS AND CONTINGENCIES - Continued

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. We have a \$68,000,000 interest only, non-recourse mortgage loan on the property from a third party lender. The fixed interest rate on the debt is 5.92% with interest payable monthly until maturity in October 2011. The annual triple-net rent is the sum of \$700,000 plus the amount of debt service on the mortgage loan. If the purchase option is exercised, we will receive net cash proceeds of approximately \$7,000,000 and recognize a gain on sale of land of approximately \$62,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years must include the debt service sufficient to fully amortize \$68,000,000 over the remaining 20-year lease term.

Letters of Credit

Approximately \$3,900,000 of standby letters of credit were issued and outstanding as of December 31, 2007.

11. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

Our Omnibus Stock Plan (the "Plan"), which was approved by our stockholders on May 18, 2006, provides for grants of incentive and non-qualified stock options, restricted stock, SARs 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 (the "Committee"). At December 31, 2007, there were 895,000 shares available for future grant under the Plan.

Stock Options

Stock options granted have exercise prices equal to 100% of the market price of our common stock on the date of grant, vest on a graduated basis, becoming fully vested 36 months after grant, and expire ten years from the date of grant.

Prior to 2003, we accounted for stock-based compensation using the intrinsic value method. Under this method, we did not recognize compensation expense as the option exercise price equaled the closing share price of our common stock on the date of grant. On January 1, 2003, we adopted SFAS 123, *Accounting for Stock-Based Compensation*, as amended, on a prospective basis. SFAS 123, as amended, requires that compensation cost relating to share-based payment transactions be recognized in financial statements and measured based on the fair value of the equity or liability instruments issued. There were no stock option grants in 2007, 2006 and 2005; accordingly, no compensation expense was recognized during such years. There were 8,000, 11,950 and 10,150 options exercised during the years ended December 31, 2007, 2006 and 2005, respectively. Cash received from option exercises in each of the years ended December 31, 2007, 2006 and 2005 was \$563,000, \$841,000 and \$715,000, respectively. Below is a summary of our stock option activity under the Plan for the year ended December 31, 2007.

	<u>Options</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at January 1, 2007	69,900	\$ 70.38	2.2	
Granted	—	—		
Exercised	(8,000)	70.38		
Cancelled	—	—		
Outstanding at December 31, 2007	<u>61,900</u>	<u>\$ 70.38</u>	<u>1.2</u>	<u>\$ 17,525,000</u>
Exercisable at December 31, 2007	<u>61,900</u>	<u>\$ 70.38</u>	<u>1.2</u>	<u>\$ 17,525,000</u>

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS - Continued

Stock Appreciation Rights

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

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

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

12. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share, including a reconciliation of net income and the number of shares used in computing basic and diluted earnings per share. Basic earnings per share are determined using the weighted average shares of common stock outstanding during the period. Diluted earnings per share is determined using the weighted average shares of common stock outstanding during the period and assumes all potentially dilutive securities were converted into common shares at the earliest date possible.

(Amounts in thousands, except share and per share amounts)	For the Year Ended December 31,		
	2007	2006	2005
Net income (loss) applicable to common shares – Basic and Diluted	\$ 114,341	\$ (74,983)	\$ 82,241
Weighted average shares outstanding – Basic	5,041,572	5,025,726	5,021,350
Effect of stock options	52,916	— ⁽¹⁾	58,821
Weighted average shares outstanding – Diluted	5,094,488	5,025,726	5,080,171
Net income (loss) per common share – Basic	\$ 22.68	\$ (14.92)	\$ 16.38
Net income (loss) per common share – Diluted	\$ 22.44	\$ (14.92)	\$ 16.19

(1) Options to purchase 69,900 shares of our common stock were not included in the calculation of net loss per share in the year ended December 31, 2006, as they were anti-dilutive.

ALEXANDER'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

(Amounts in thousands, except per share amounts)	<u>Revenues</u>	<u>Net Income (Loss)</u> <u>Applicable to</u> <u>Common</u>	<u>Income (Loss) Per</u> <u>Common Share ⁽¹⁾</u>	
		<u>Shares</u>	<u>Basic</u>	<u>Diluted</u>
2007				
December 31	\$ 52,291	\$ 33,930	\$ 6.73	\$ 6.66
September 30	52,424	28,626	5.68	5.62
June 30	51,069 ⁽²⁾	19,609	3.89	3.85
March 31	52,196	32,176	6.39	6.32
2006				
December 31	\$ 50,226	\$ (74,361)	\$ (14.79)	\$ (14.79)
September 30	50,799	(18,616)	(3.70)	(3.70)
June 30	49,371	36,851	7.33	7.25
March 31	48,376	(18,857)	(3.75)	(3.75)
2005				
December 31	\$ 50,286	\$ 40,313	\$ 8.02	\$ 7.93
September 30	47,388	(6,754)	(1.34)	(1.34)
June 30	45,735	17,464	3.48	3.44
March 31	43,676	31,218	6.22	6.15

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

(2) Subsequent to the issuance of our consolidated financial statements for the quarter ended June 30, 2007, we determined that our consolidated statement of operations for the three and six months ended June 30, 2007, included \$3,072,000 of intercompany revenues ("expense reimbursements") and \$3,072,000 of intercompany "operating expenses" that should have been eliminated in the consolidation of our Kings Plaza joint venture. There was no impact on "operating income" or "net income" for the three and six months ended June 30, 2007, as a result of not eliminating these amounts. The Kings Plaza joint venture became operational at the end of March 2007, and as such, no other prior periods were affected. We have concluded that the elimination entry not made, was an immaterial error to our consolidated financial statements for the three and six months ended June 30, 2007. While these periods are not presented in this Annual Report on Form 10-K, the table below illustrates the effects of the restatement on the three and six months ended June 30, 2007. Further, when we file our June 30, 2008 Quarterly Report on Form 10-Q, we will correct the prior year's amounts.

(\$ in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2007		June 30, 2007	
	As Reported	As Adjusted	As Reported	As Adjusted
Expense reimbursements	18,919	15,847	36,241	33,169
Total revenues	54,141	51,069	106,337	103,265
Operating expenses	20,194	17,122	38,119	35,047
Total expenses	23,806	20,734	34,581	31,509

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Alexander’s, Inc., together with its consolidated subsidiaries (the “Company”), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed under the supervision of the Company’s principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2007, management conducted an assessment of the effectiveness of the Company’s internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company’s internal control over financial reporting as of December 31, 2007 is effective.

The Company’s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the Company’s financial statements.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2007 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 55 of this Annual Report on Form 10-K, which expresses an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2007.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Alexander's, Inc.
Paramus, New Jersey

We have audited the internal control over financial reporting of Alexander's, Inc. and subsidiaries (the "Company") as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2007 of the Company and our report dated February 25, 2008 expressed an unqualified opinion on those financial statements and financial statement schedules and includes an explanatory paragraph relating to the adoption of the provisions of FASB Interpretation No. 48 " *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.* "

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 25, 2008

ITEM 9B. OTHER INFORMATION

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information relating to our directors will be contained in a definitive Proxy Statement involving the election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. We will file the Proxy Statement with the Securities and Exchange Commission no later than 120 days after December 31, 2007. Such information is incorporated by reference herein. For information concerning our executive officers, see “Executive Officers of the Registrant” in Part I of this Annual Report on Form 10-K. Also incorporated herein by reference is the information under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” of the Proxy Statement.

We have a code of business conduct and ethics that applies to our Chief Executive Officer and Executive Vice President and Chief Financial Officer, among others. The code is posted on our website at www.Alx-Inc.com. We intend to satisfy our disclosure obligation regarding amendments and waivers of this code applicable to our Chief Executive Office and Executive Vice President and Chief Financial Officer by posting such information on our website.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation will be contained in the Proxy Statement referred to in “Item 10. Directors, Executive Officers and Corporate Governance” of this Annual Report on Form 10-K. Such information is incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information relating to security ownership of certain beneficial owners and management and related stockholder matters, except as set forth below, will be contained in the Proxy Statement referred to in “Item 10. Directors, Executive Officers and Corporate Governance” of this Annual Report on Form 10-K. Such information is incorporated by reference herein.

Equity Compensation Plan Information

The following table provides information as of December 31, 2007, regarding our equity compensation.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	61,900	\$ 70.38	895,000
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	61,900	\$ 70.38	895,000

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information relating to certain relationships and related transactions and director independence will be contained in the Proxy Statement referred to in “Item 10. Directors, Executive Officers and Corporate Governance” of this Annual Report on Form 10-K. Such information is incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information relating to principal accounting fees and services will be contained in the Proxy Statement referred to in “Item 10. Directors, Executive Officers and Corporate Governance” of this Annual Report on Form 10-K. Such information is incorporated by reference herein.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K.

1. The consolidated financial statements are set forth in Item 8 of this Annual Report on Form 10-K.
2. The following financial statement schedules should be read in conjunction with the financial statements included in Item 8 of this Annual Report on Form 10-K.

	Pages in this Annual Report on Form 10-K
Schedule II – Valuation and Qualifying Accounts – years ended December 31, 2007, 2006 and 2005	60
Schedule III – Real Estate and Accumulated Depreciation as of December 31, 2007	61

All other financial statement schedules are omitted because they are not applicable, not required, or the information is included elsewhere in the consolidated financial statements or the notes thereto.

3. The following exhibits listed on the Exhibit Index are filed with this Annual Report on Form 10-K.

<u>Exhibit No.</u>	
10.52	First Amendment to Amended and Restated Management and Development Agreement, dated as of July 6, 2005, by and between Alexander’s, Inc., the subsidiaries party thereto and Vornado Management Corp.
10.53	Second Amendment to Amended and Restated Management and Development Agreement, dated as of December 20, 2007, by and between Alexander’s, Inc., the subsidiaries party thereto and Vornado Management Corp.
10.54	Rego II Management and Development Agreement, dated as of December 20, 2007, by and between Alexander’s of Rego Park II, Inc., and Vornado Realty L.P.
10.55	Third Amendment to Real Estate Retention Agreement, dated as of December 20, 2007, by and between Alexander’s, Inc., and Vornado Realty L.P.
10.56	Rego II Real Estate Retention Agreement, dated as of December 20, 2007, by and between Alexander’s, Inc., and Vornado Realty L.P.
21	Subsidiaries of Registrant
23	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer
32.1	Section 1350 Certification of the Chief Executive Officer
32.2	Section 1350 Certification of the Chief Financial Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALEXANDER'S, INC.

(Registrant)

Date: February 25, 2008

By: /s/ Joseph Macnow
Joseph Macnow, Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
By: <u>/s/Steven Roth</u> (Steven Roth)	Chairman of the Board of Trustees (Principal Executive Officer)	February 25, 2008
By: <u>/s/Michael D. Fascitelli</u> (Michael D. Fascitelli)	President and Trustee	February 25, 2008
By: <u>/s/Joseph Macnow</u> (Joseph Macnow)	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 25, 2008
By: <u>/s/Thomas R. DiBenedetto</u> (Thomas R. DiBenedetto)	Director	February 25, 2008
By: <u>/s/David Mandelbaum</u> (David Mandelbaum)	Director	February 25, 2008
By: <u>/s/Arthur Sonnenblick</u> (Arthur Sonnenblick)	Director	February 25, 2008
By: <u>/s/Neil Underberg</u> (Neil Underberg)	Director	February 25, 2008
By: <u>/s/Richard R. West</u> Richard R. West	Director	February 25, 2008
By: <u>/s/Russell B. Wight Jr.</u> (Russell B. Wight Jr)	Director	February 25, 2008

ALEXANDER'S, INC. AND SUBSIDIARIES

**SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS**

(Amounts in thousands)

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions: Charged Against Operations</u>	<u>Deductions: Uncollectible Accounts Written Off</u>	<u>Balance at End of Year</u>
<i>Allowance for doubtful accounts:</i>				
Year Ended December 31, 2007	\$ <u>481</u>	\$ <u>247</u>	\$ <u>61</u>	\$ <u>667</u>
Year Ended December 31, 2006	\$ <u>526</u>	\$ <u>97</u>	\$ <u>142</u>	\$ <u>481</u>
Year Ended December 31, 2005	\$ <u>379</u>	\$ <u>208</u>	\$ <u>61</u>	\$ <u>526</u>

ALEXANDER'S, INC. AND SUBSIDIARIES
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2007

(Amounts in thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H	COLUMN I				
Description	Encumbrances	Land	Building, Leaseholds and Leasehold Improvements to	Costs Capitalized Subsequent Acquisition (2)	Land	Building, Leaseholds and Leasehold Improvements	Construction In Progress	Total	(2) Amortization	Date of Construction	Date Acquired (1)	Life on Which Depreciation in Latest Income Statement is Computed
Commercial Property:												
New York, NY												
Rego Park I	\$ 79,285	\$ 1,647	\$ 8,953	\$ 48,689	\$ 1,647	\$ 57,642	\$ —	\$ 59,289	\$ 18,005	1959	1992	15-39 years
Rego Park II	55,786	3,127	1,467	162,146	3,127	—	163,613	166,740	—	2006	1992	N/A
Rego Park III	—	779	—	479	779	—	479	1,258	—	N/A	1992	N/A
Flushing	—	—	1,660	1,122	—	1,552	1,230	2,782	377	1975 (3)	1992	26 years
Lexington Avenue	703,670	14,432	12,355	424,597	27,498	423,886	—	451,384	42,309	2003	1992	5-39 years
Kings Plaza Regional Shopping Center	203,456	497	9,542	131,668	24,483	110,738	6,486	141,707	35,492	1970	1992	7-50 years
Paramus, NJ	68,000	1,441	—	10,313	11,754	—	—	11,754	—	N/A	1992	N/A
Other Properties	—	167	1,804	(1,804) (4)	167	—	—	167	—	N/A	1992	N/A
TOTAL	\$ 1,110,197	\$ 22,090	\$ 35,781	\$ 777,210	\$ 69,455	\$ 593,818	\$ 171,808	\$ 835,081	\$ 96,183			

- (1) Initial cost is as of May 15, 1992 (the date on which the Company commenced its real estate operations) unless acquired subsequent to that date. See Column H.
- (2) The net basis of the Company's assets and liabilities for tax purposes is approximately \$94,000,000 lower than the amount reported for financial statement purposes.
- (3) This date represents the lease acquisition date.
- (4) Cost of fully depreciated assets.

ALEXANDER'S, INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

	December 31,		
	2007	2006	2005
REAL ESTATE :			
Balance at beginning of period	\$ 692,388	\$ 699,136	\$ 955,107
Additions during the period:			
Land	—	—	—
Buildings, leaseholds and leasehold improvements	15,958	9,864	127,981
Construction in progress	128,470	8,231	(383,952)
	836,816	717,231	699,136
Fully depreciated assets	1,735	24,843	—
Balance at end of period	\$ 835,081	\$ 692,388	\$ 699,136
ACCUMULATED DEPRECIATION :			
Balance at beginning of period	\$ 80,779	\$ 88,976	\$ 74,028
Additions charged to operating expenses	17,139	16,646	14,948
	97,918	105,622	88,976
Fully depreciated assets	1,735	24,843	—
Balance at end of period	\$ 96,183	\$ 80,779	\$ 88,976

EXHIBIT INDEX

Exhibit No.

- | | | |
|------|--|---|
| 3.1 | - Amended and Restated Certificate of Incorporation. Incorporated herein by reference from Exhibit 3.1 to the registrant's Registration Statement on Form S-3 filed on September 20, 1995 | * |
| 3.2 | - By-laws, as amended. Incorporated herein by reference from Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 | * |
| 10.1 | - Real Estate Retention Agreement dated as of July 20, 1992, between Vornado Realty Trust and Keen Realty Consultants, Inc., each as special real estate consultants, and the Company. Incorporated herein by reference from Exhibit 10(i)(O) to the registrant's Annual Report on Form 10-K for the fiscal year ended July 25, 1992 | * |
| 10.2 | - Extension Agreement to the Real Estate Retention Agreement, dated as of February 6, 1995, between the Company and Vornado Realty Trust. Incorporated herein by reference from Exhibit 10(i)(G)(2) to the registrant's Annual Report Form 10-K for the year ended December 31, 1994 | * |
| 10.3 | ** - Registrant's Omnibus Stock Plan, as amended, dated May 28, 1997. Incorporated herein by reference from Exhibit 10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, filed on August 13, 1997 | * |
| 10.4 | - Amended, Restated and Consolidated Mortgage and Security Agreement, dated May 12, 1999, between The Chase Manhattan Bank, as mortgagee, and Alexander's Rego Shopping Center Inc., as mortgagor. Incorporated herein by reference from Exhibit 10(i)(E) to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed on August 8, 2000 | * |
| 10.5 | - Agreement of Lease dated as of April 30, 2001 between Seven Thirty One Limited Partnership, landlord, and Bloomberg L.P., tenant. Incorporated herein by reference from Exhibit 10(v) B to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, filed on August 2, 2001 | * |
| 10.6 | - Amended and Restated Consolidated Mortgage and Security Agreement dated as of May 31, 2001 among Alexander's Kings Plaza LLC as mortgagor, Alexander's of King LLC as mortgagor and Kings Parking LLC as mortgagor, collectively borrower, to Morgan Guaranty Trust Company of New York, as mortgagee. Incorporated herein by reference from Exhibit 10(v) A1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, filed on August 2, 2001 | * |
| 10.7 | - Amended, Restated and Consolidated Promissory Note, dated as of May 31, 2001 by and between Alexander's Kings Plaza LLC, Alexander's of Kings LLC, and Kings Parking LLC collectively borrower, and Morgan Guaranty Trust Company of New York, lender. Incorporated herein by reference from Exhibit 10(v) A2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, filed on August 2, 2001 | * |
| 10.8 | - Cash Management Agreement dated as of May 31, 2001 by and between Alexander's Kings Plaza LLC, Alexander's of Kings LLC, and Kings Parking LLC collectively borrower, and Morgan Guaranty Trust Company of New York, lender. Incorporated herein by reference from Exhibit 10(v) A3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, filed on August 2, 2001 | * |

* Incorporated by reference.

** Management contract or compensatory agreement

10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004

- 10.23 - Amended, Restated and Consolidated Mortgage, Security Agreement, Financing Statement and Assignment of Leases, Rent and Security Deposits by and between 731 Office One LLC as Borrower and German American Capital Corporation as Lender, dated as of February 13, 2004. Incorporated herein by reference from Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.24 - Amended, Restated and Consolidated Note, dated as of February 13, 2004, by 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.25 - Assignment of Leases, Rents and Security Deposits from 731 Office One LLC to German American Capital Corporation, dated as of February 13, 2004. Incorporated herein by reference from Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.26 - Account and Control Agreement, dated as of February 13, 2004, by and among German American Capital Corporation as Lender, and 731 Office One LLC as Borrower, and JP Morgan Chase as Cash Management Bank. Incorporated herein by reference from Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.27 - Manager's Consent and Subordination of Management Agreement dated February 13, 2004 by 731 Office One LLC and Alexander's Management LLC and German American Capital Corporation. Incorporated herein by reference from Exhibit 10.25 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.28 - Note Exchange Agreement dated as of February 13, 2004 by and between 731 Office One LLC and German American Capital Corporation. Incorporated herein by reference from Exhibit 10.26 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *

* Incorporated by reference.

- 10.29 - Promissory Note A-1 dated as of February 13, 2004 and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.27 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.30 - Promissory Note A-2 dated as of February 13, 2004 and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.28 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.31 - Promissory Note A-3 dated as of February 13, 2004 and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.29 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.32 - Promissory Note A-4 dated as of February 13, 2004, and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.30 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.33 - Promissory Note A-X dated as of February 13, 2004, and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.31 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.34 - Promissory Note B dated as of February 13, 2004, and 731 Office One LLC in favor of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.32 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.35 - Guaranty of Recourse Obligations dated as of February 13, 2004, by Alexander's, Inc. to and for the benefit of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.33 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.36 - Environmental Indemnity dated as of February 13, 2004, by Alexander's, Inc. and 731 Office One LLC for the benefit of German American Capital Corporation. Incorporated herein by reference from Exhibit 10.34 to the registrant's Annual Report conform 10-K for the year ended December 31, 2003, filed on March 2, 2004 *
- 10.37 - Loan Agreement dated as of July 6, 2005, between 731 Retail One LLC, as Borrower and Archon Financial, as Lender. Incorporated herein by reference from Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed on July 12, 2005 *
- 10.38 ** - Form of Stock Option Agreement between the Company and certain employees. Incorporated herein by reference from Exhibit 10.61 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, filed on October 27, 2005 *
- 10.39 ** - Form of Restricted Stock Option Agreement between the Company and certain employees. Incorporated herein by reference from Exhibit 10.62 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, filed on October 27, 2005 *
- 10.40 ** - Stock Appreciation Right Agreement dated as of January 10, 2006, between Michael D. Fascitelli and Alexander's Inc. Incorporated herein by reference from Exhibit 10.1 to the registrant's Current Report on Form 8-K for January 10, 2006, filed on January 12, 2006 *

* Incorporated by reference.

** Management contract or compensatory agreement

ALEXANDER'S, INC.

SUBSIDIARIES OF REGISTRANT

731 Commercial Holding LLC
731 Commercial LLC
731 Office One Holding LLC
731 Office One LLC
731 Office Two Holding LLC
731 Office Two LLC
731 Residential Holding LLC
731 Residential LLC
731 Restaurant LLC
731 Retail One LLC
Alexander's Department Stores of Brooklyn, Inc.
Alexander's Department Stores of New Jersey, Inc.
Alexander's Kings Plaza, LLC
Alexander's of Kings, LLC
Alexander's Management LLC
Alexander's of Brooklyn II LLC
Alexander's of Brooklyn, Inc.
Alexander's of Flushing, Inc.
Alexander's of Rego Park II, Inc.
Alexander's of Rego Park III, Inc.
ALX of Paramus, LLC
Alexander's Personnel Providers, Inc.
Alexander's Rego Park Center, Inc.
Alexander's Rego Shopping Center, Inc.
Alexander's Restaurant LLC
Kings Parking, LLC
Kings Plaza Lender LLC
Ownreal Inc.
Rego Park Comercial LLC
Rego Park Residential LLC
Sakraf Wine & Liquor Store, Inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-110673 on Form S-3 of our reports dated February 25, 2008, relating to the financial statements and financial statement schedules of Alexander's, Inc. and subsidiaries and to management's report on the effectiveness of internal control over financial reporting, appearing in the Annual Report on Form 10-K of Alexander's, Inc. and subsidiaries for the year ended December 31, 2007.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 25, 2008

CERTIFICATION

I, Steven Roth, certify that:

1. I have reviewed this Annual Report on Form 10-K of Alexander's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 25, 2008

/s/ Steven Roth

Steven Roth
Chief Executive Officer

CERTIFICATION

I, Joseph Macnow, certify that:

1. I have reviewed this Annual Report on Form 10-K of Alexander's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 25, 2008

/s/ Joseph Macnow

Joseph Macnow
Executive Vice President and Chief Financial Officer

CERTIFICATION

**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(Subsection (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Alexander's, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that :

The Annual Report on Form 10-K for year ended December 31, 2007 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 25, 2008

/s/ Steven Roth
Name: Steven Roth
Title: Chief Executive Officer

FIRST AMENDMENT TO AMENDED AND RESTATED MANAGEMENT AND DEVELOPMENT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED MANAGEMENT AND DEVELOPMENT AGREEMENT (this "Amendment") is made as of the 6th day of July, 2005, by and among ALEXANDER'S INC., a Delaware corporation, on behalf of itself and each of the subsidiaries listed in Exhibit B attached hereto ("Alexander's"), having an address at 210 Route 4 East, Paramus, New Jersey 07652, (sometimes hereinafter referred to as "Owner"), and VORNADO MANAGEMENT CORP., a New Jersey corporation, having an office at 210 Route 4 East, Paramus, New Jersey 07652 ("Manager").

RECITALS

A. Alexander's and Manager have heretofore entered into that certain Amended and Restated Management and Development Agreement, dated July 3, 2002 (the "Development Agreement").

B. As of the date hereof Manager has entered into that certain Termination of Management and Development Agreement with 731 Commercial LLC and 731 Residential LLC, terminating Manager's property management services with respect to the property located at 731 Lexington Avenue, New York, New York (the "59th Street Property");

C. Whereas, Owner and Manager desire to amend the Development Agreement so that Manager can provide the entity management services provided hereunder with respect to the affiliated entities of Owner that own various portions of the 59th Street Property.

NOW THEREFORE, in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, Owner and Manager hereby agree as follows to the following amendments to be effective from and after the date hereof (the "Effective Date"):

1. Exhibit A of the Development Agreement : Exhibit A to the Development Agreement is hereby replaced with the Exhibit A attached hereto.
2. Management Fee . The first sentence of Article III, Section A is hereby amended to read as follows: "Owner shall pay Manager, as Manager's entire compensation for the services rendered hereunder in connection with the management of the Properties and the management of the Owner, a management fee (the "Management Fee") equal to Two Million Four Hundred Thousand Dollars (\$2,400,000) per annum), payable in equal monthly installments, in arrears, in the amount of \$200,000 on the tenth day of each calendar month beginning with the first calendar month after the Effective Date.
3. Development Fee Installments .
 - (a) The following paragraph is hereby inserted after the first paragraph of Article III.B: Owner shall pay Manager, on account of the Development Fee, monthly installments (the "Development Installments") each in an amount equal to the Specified Installment Amount (as defined below), with each such installment payable, in arrears, on the tenth day of each calendar month, beginning with the calendar month immediately following the Effective Date. In the event that it is determined, upon Substantial Completion of a Development Property, that the aggregate Development Installments paid to Manager as of such date on account of the Development Fee total less than the amount of the Development Fee that is due to Manager hereunder in respect of the Development Property, Owner shall pay to Manager, within 15 days after Substantial Completion of the Development Property, an amount equal to such difference.
 - (b) The following definition is hereby inserted to Article III.B after the definition of Development Costs: "Specified Installment Amount" means \$62,500.
4. Counterparts . This Amendment may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.
5. Defined Terms . All terms capitalized but not defined herein shall have the same meaning ascribed to such terms in the Development Agreement. The marginal headings and titles to the paragraphs of this Amendment are not a part of this Amendment and shall have no effect upon the construction or interpretation of any part hereof.
6. Amendment . This Amendment is incorporated into and made a part of the Development Agreement, and the Development Agreement and all terms, conditions and provisions of the Development Agreement are ratified and confirmed in all respects and is and shall continue to be in full force and effect as modified and amended hereby.

7. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

8. No Modification. This Amendment constitutes the entire understanding of the parties with respect to the subject hereof and may not be amended except in a writing executed by the parties hereto.

9. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto, and their successors and permitted assigns.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

OWNER:

ALEXANDER'S INC.,

a Delaware corporation

By: /s/ Alan J. Rice

Name: Alan J. Rice

Title: Authorized Signatory

MANAGER:

VORNADO MANAGEMENT CORP.

By: /s/ Joseph Macnow

Name: Joseph Macnow

Title: Authorized Signatory

- 3 -

EXHIBIT A

The following parcels of real property:

1. "FLUSHING PROPERTY"

ADDRESS: 136-20 through 136-30 Roosevelt Avenue,
a/k/a 40-17-19 Main Street
Queens, New York

TAX MAP DESIGNATION:

BLOCK: 5019 LOT: 5

CITY: New York COUNTY: Queens STATE: New York

2. "REGO PARK PROPERTY"

ADDRESS: Junction Boulevard
Rego Park, New York

"REGO PARK II"

TAX MAP DESIGNATION:

BLOCK: 2080 LOT: 101

CITY: New York COUNTY: Queens STATE: New York]

"REGO PARK III"

TAX MAP DESIGNATION:

BLOCK: 2077 LOTS: 90 & 98

AND

BLOCK: 2076 LOTS: 50 & 63

CITY: New York COUNTY: Queens STATE: New York

3. "PARAMUS PROPERTY"

TAX MAP DESIGNATION:

LOT: 1 BLOCK: 1202 TAX MAP SHEET NO.: 12

The following entities:

731 Commercial Holding LLC
731 Commercial LLC
731 Office One Holding LLC
731 Office One LLC
731 Office Two Holding LLC
731 Office Two LLC
731 Residential Holding LLC
731 Residential LLC
731 Restaurant LLC
731 Retail One LLC
Alexander's Department Stores of Brooklyn, Inc.
Alexander's Department Stores of New Jersey, Inc.
Alexander's Kings Plaza, LLC
Alexander's Kings, LLC
Alexander's Management LLC
Alexander's of Brooklyn II LLC
Alexander's of Brooklyn, Inc.
Alexander's Personnel Providers, Inc.
Alexander's Rego Park Center, Inc.
Alexander's Rego Shopping Center, Inc.
Alexander's Restaurant LLC
Kings Parking, LLC
Kings Plaza Lender LLC
Ownreal Inc.
Rego Park Commercial LLC
Rego Park Residential LLC
Sakraf Wine & Liquor Store, Inc.

NY:982014.4

EXHIBIT B

List of Subsidiaries

Alexander's of Flushing, Inc.

Alexander's of Rego Park II, Inc.

Alexander's of Rego Park III, Inc.

Alexander's Paramus, LLC

NY:982014.4

SECOND AMENDMENT TO AMENDED AND RESTATED MANAGEMENT AND DEVELOPMENT AGREEMENT

THIS SECOND AMENDMENT TO AMENDED AND RESTATED MANAGEMENT AND DEVELOPMENT AGREEMENT (this "Amendment") is made as of the 20th day of December, 2007, by and among ALEXANDER'S INC., a Delaware corporation, , on behalf of itself and each of the subsidiaries listed in Exhibit A attached hereto ("Alexander's"), having an address at 210 Route 4 East, Paramus, New Jersey 07652, (sometimes hereinafter referred to as "Owner"), and VORNADO MANAGEMENT CORP., a New Jersey corporation, having an office at 210 Route 4 East, Paramus, New Jersey 07652 ("Manager").

RECITALS

A. Alexander's and Manager's predecessor-in-interest, Vornado Realty Trust, have heretofore entered into that certain Amended and Restated Management and Development Agreement, dated July 3, 2002, as amended by First Amendment to Amended and Restated Management and Development Agreement dated as of (as the same may have been amended prior hereto and as herein and hereinafter amended, modified, supplemented and/or restated from time to time, the "Development Agreement").

B. As of the date hereof Manager has entered into that certain Rego II Management and Development Agreement with Alexander's of Rego Park II, Inc., relating to the Rego Park II Property (as listed in Exhibit A to the Development Agreement).

C. Whereas, Owner and Manager desire to amend the Development Agreement to delete the Rego Park II Property from such Development Agreement.

NOW THEREFORE, in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, Owner and Manager hereby agree to the following amendments to be effective from and after the date hereof (the "Effective Date"):

1. Exhibit A of the Development Agreement : The Rego Park II Property is hereby deleted from Exhibit A to the Development Agreement and all references in the Development Agreement to the "Rego Park II Property" are hereby deleted.
2. Management Fee . In the first sentence of Article III, Section A, "Two Million Four Hundred Thousand Dollars (\$2,400,000) per annum" is hereby deleted and Two Million Two Hundred Eighty Thousand Dollars (\$2,280,000.00) per annum" is substituted therefor, and "\$200,000" is hereby deleted and "\$190,000" is substituted therefor.
3. Development Fee . The following sentence is inserted at the end of the second paragraph of Article III.B.: "Notwithstanding the foregoing, for so long as the Specified Installment Amount is being paid to Manager under the Rego II Management and Development Agreement dated, 2007, Owner shall not be required to make payments of such Specified Installment Amount hereunder."
3. Counterparts . This Amendment may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.
4. Defined Terms . All terms capitalized but not defined herein shall have the same meaning ascribed to such terms in the Development Agreement. The marginal headings and titles to the paragraphs of this Amendment are not a part of this Amendment and shall have no effect upon the construction or interpretation of any part hereof.
5. Amendment . This Amendment is incorporated into and made a part of the Development Agreement, and the Development Agreement and all terms, conditions and provisions of the Development Agreement are ratified and confirmed in all respects and is and shall continue to be in full force and effect as modified and amended hereby.

6. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

7. No Modification. This Amendment constitutes the entire understanding of the parties with respect to the subject hereof and may not be amended except in a writing executed by the parties hereto.

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto, and their successors and permitted assigns.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

OWNER:

ALEXANDER'S INC., a

Delaware corporation

By: /s/ Alan J. Rice

Name: Alan J. Rice

Title: Authorized Signatory

MANAGER:

VORNADO MANAGEMENT CORP.

By: /s/ Joseph Macnow

Name: Joseph Macnow

Title: Authorized Signatory

EXHIBIT A

List of Subsidiaries

Alexander's of Flushing, Inc.

Alexander's of Rego Park II, Inc.

Alexander's of Rego Park III, Inc.

Alexander's Paramus, LLC

REGO II MANAGEMENT**AND DEVELOPMENT AGREEMENT**

THIS REGO II MANAGEMENT AND DEVELOPMENT AGREEMENT dated as of the 20th day of December, 2007 (the “Management Agreement”) between ALEXANDER’S OF REGO PARK II, INC., a Delaware corporation, having an office c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019 (collectively “Owner”) and VORNADO REALTY L.P., a Maryland limited partnership having an office at c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019 (“Manager”).

IN CONSIDERATION of the mutual promises and covenants herein contained. Owner and Manager agree as follows:

ARTICLE I**Appointment of Manager**

A. Owner hereby appoints Manager, on the conditions and for the term hereinafter provided, to act for it in the operation, maintenance, management and development of the property identified on Exhibit A attached hereto and made a part hereof (the “Property”), which management and development duties are more particularly described in Articles IV and V. Manager hereby accepts said appointment to the extent of, and subject to, the conditions set forth below.

B. Owner and Manager hereby acknowledge that Owner and Manager are simultaneously herewith entering into that certain Real Estate Retention Agreement (the “Retention Agreement”), whereby Vornado Realty, L.P., as successor in interest to Vornado, Inc., has agreed to act as leasing agent with respect to the Property.

ARTICLE II**Term**

The term of this Agreement shall commence on the date hereof and shall continue until the date of Substantial Completion of the Property (the “Initial Expiration Date”) unless this Agreement shall be terminated and the obligations of the parties hereunder shall sooner cease and terminate, as hereinafter provided; provided, however, that the term of this Management Agreement shall automatically extend for consecutive one-year periods following the Initial Expiration Date unless Manager or Owner provides the other with written notice, at least six months prior to the beginning of any such additional one-year period, of its election to terminate this Management Agreement.

ARTICLE III**Management and Development Fee**

A. Owner shall pay Manager, as Manager’s entire compensation for the services rendered hereunder in connection with the management of the Property, a management fee (the “Management Fee”) equal to (i) \$120,000.00 per annum, payable in equal monthly installments, in arrears, in the amount of \$10,000.00 each on the tenth day of each calendar month beginning with the first calendar month after the date hereof. In the event that this Agreement shall commence on a date other than the first day of a calendar month or shall terminate on a date other than the last day of a calendar month, the installment of the Management Fee payable for that month shall be prorated for the actual number of days that this Agreement is effective in that calendar month.

B. Owner shall pay Manager, as Manager’s compensation for the services rendered hereunder in connection with the development of the Property, a development fee (the “Development Fee”) (the Development Fee and the Management Fee are sometimes referred to herein, collectively, as the “Management and Development Fee”) equal to (i) five percent (5%) of the total Development Costs (as hereinafter defined) with

respect to the Property, plus (ii) general overhead and administrative expenses equal to one percent (1%) of the total Development Costs with respect to the Property.

Owner shall pay Manager, on account of the Development Fee, monthly installments (the "Development Installments") each in an amount equal to the Specified Installment Amount (as defined below), with each such installment payable, in arrears, on the tenth day of each calendar month, beginning with the calendar month immediately following the date hereof. In the event that it is determined, upon Substantial Completion of the Property, that the aggregate Development Installments paid to Manager as of such date on account of the Development Fee total less than the amount of the Development Fee that is due to Manager hereunder in respect of the Property, Owner shall pay to Manager, within 15 days after Substantial Completion of the Property or upon the transfer of the Property to any unaffiliated third party, whichever is earlier, an amount equal to such difference.

As used herein, the following terms shall have the following meanings:

"Development Budget" shall mean, collectively, the capital budgets and development schedules setting forth the Development Costs to be incurred in connection with the Property, as prepared by Manager and approved by Owner and as more particularly described in Article V hereof.

"Development Costs" shall mean the costs incurred by Owner in accordance with the Development Budget in connection with the planning, design and construction, and development or redevelopment of the Property, including, without limitation, fees of any construction manager, general contractor or any other third-party professionals unaffiliated with Manager and costs set forth in the Development Budget that may be reimbursed by tenants at the Property for improvements outside the leased premises of those tenants. Notwithstanding the foregoing, in no event shall Development Costs include costs paid for or reimbursed by the tenants for improvements inside the leased premises of those tenants, the Development Fee, costs of the land and, with respect to loans made to Owner, interest, commitment fees and points.

"Specified Installment Amount" means \$62,500.

"Substantial Completion" shall mean the date on which (a) all punch list items and landscaping at the Property have been completed, (b) the planning, design, construction and development of the Property have been completed, as certified by the Owner's architect, in accordance with the plans and specifications therefor approved by Owner, (c) all necessary occupancy and other permits have been obtained with respect to the work completed at the Property for which Manager has any obligation hereunder and (d) if leases are then in effect at the Property, the portions of the Property demised under the leases have been delivered for possession to the tenants thereunder in accordance with the terms thereof, the tenants have otherwise taken possession of the demised premises, or, if tenants cannot take possession due to Owner's obligation to perform tenant improvement work, tenant improvement work has commenced thereunder.

C. Manager shall receive no commissions, fees or other compensation (other than the Management Fee) in connection with any leasing or sale of any part of or the entire Property or the procuring of any financing or refinancing with respect thereto; provided, however, that nothing contained herein shall in any way restrict the commissions, fees and other compensation otherwise payable to any affiliate of Manager by Owner pursuant to the Retention Agreement.

D. In the event that Manager desires to provide services not required to be performed hereunder ("Additional Services") for the benefit of a tenant of the Property, Manager shall notify Owner in advance of its intention to provide Additional Services to a tenant or tenants where those services are substantial in nature. Owner shall have the right to prohibit Manager from undertaking such services, if, in its judgment, the performance by Manager of the Additional Services would adversely affect the professional relationship and duties of Manager created by this Agreement.

ARTICLE IV

Management Services

A. Manager agrees to operate and manage the Property and to perform or cause to be performed by outside contractors and under Manager's supervision, the following functions on behalf of Owner in an efficient and diligent manner using the same standard of care, including bidding and selection processes, segregation of funds, internal controls and internal auditing, used by Vornado Realty Trust in connection with its business and in connection with properties owned and/or managed by Vornado Realty Trust:

1. Preparing, or causing to be prepared at Owner's expense, and filing all income, franchise and other tax returns relating to the Property required to be filed by Owner.

2. Keeping true and complete books of account in which shall be entered fully and accurately each transaction of Owner's business relating to the Property. The books shall be kept in accordance with the accrual method of accounting, and shall reflect all transactions of Owner's business relating to the Property.

3. Except as otherwise provided hereunder, procuring, at Owner's expense and at the direction of Owner or the Owner's insurance brokers or insurance advisors, any insurance required or desirable in connection with Owner's business relating to the Property or the employees required to operate Owner's business relating to the Property and errors and omissions insurance for Manager, under which Owner shall be the sole beneficiary. Manager shall not settle any claim for a settlement amount in excess of \$100,000 without the approval of Owner.

4. Providing all general bookkeeping and accounting services required by the provisions of this Agreement at the expense of Manager. Any independent certified public accountant engaged by Manager shall be subject to the approval of Owner and all fees and expenses payable to such accountant shall be at Owner's expense. Manager shall maintain separate books and records in connection with its management of the Property under this Management Agreement, which books and records shall be kept in accordance with generally accepted accounting principles. Owner shall have the right to examine or audit the books and records at reasonable times and Manager will cooperate with Owner in connection with any such audit.

5. Investing funds not otherwise required to pay the costs of day-to-day maintenance and operation of the Property or in the operation of Owner's business pursuant to guidelines set by Owner.

6. Repairing, making replacements and maintaining the Property and all common areas at the Property and purchasing all materials and supplies that Manager deems necessary to repair and operate and maintain the Property, in order that the Property shall remain in good, sound and clean condition, and making such improvements, construction, changes and additions to the Property (including capital improvements), as Manager deems advisable, provided that Manager shall receive approval of Owner prior to undertaking any improvements, construction, changes or additions to the Property. Owner shall pay all fees, costs and expenses incurred by Manager in connection with the retention of outside contractors and suppliers for the performance of all repairs, replacements and maintenance of the Property in the event that Owner decides to remodel or extensively refurbish the Property, or any part thereof. Manager shall be entitled to receive additional compensation for services required to be rendered by it for services such as supervision of construction and allocation of overhead expense (i) to the extent that tenants at the Property reimburse Owner for such costs and (ii) if such costs are not reimbursable by the tenants and such remodeling or refurbishment shall be on a significant scale and shall require significant work by the Manager, the amount of such additional compensation payable to Manager shall be equal to Manager's costs in connection with such work, plus twenty percent (20%) of Manager's costs.

7. Negotiating and executing contracts for the furnishing to the Property of all services and utilities, including electricity, gas, water, steam, telephone, cleaning, security, vermin extermination, elevator, escalator and boiler maintenance and any other utilities or services, including repairs and maintenance of the buildings, other improvements and common areas at the Property, or such of them as Manager deems advisable to assure that the Property shall be caused to be and remain in a good, sound and clean condition and properly operating. All fees, costs and expenses under the contracts shall be paid by Owner.

8. Subject to the terms of any loan or credit agreement entered into by Owner with a lender and affecting the Property, demanding, receiving and collecting all rents, income and other revenues, which Manager shall deposit in a bank account or accounts of Owner maintained by Manager (with any interest thereon for the account of Owner) for the deposit of monies in regard to the Property; disbursing, deducting and paying from such rents, income and revenues, such amounts required to be disbursed or paid in connection with the repair, maintenance and operation of the Property and in the carrying out of Manager's duties. In the event that Manager shall determine that funds in the accounts are insufficient to make necessary disbursements or payments, Manager shall notify Owner promptly of the amount of such insufficiency. Promptly after (i) Owner receives such notice, or (ii) Owner independently determines that such funds are insufficient, Owner shall determine and notify Manager as to the order of priority in which disbursements and payments shall be made. Disbursements or payments shall include, but not be limited to, the following items:

- a. all assessments and charges of every kind imposed by any governmental authority having jurisdiction (including real estate taxes, assessments, sewer rents and/or water charges) and, interest and penalties thereon; provided, however, that the interest or penalty payments shall be reimbursed by Manager to Owner if imposed by reason of delay in payment caused by Manager's gross negligence, willful misconduct, bad faith or material misapplication of funds (to the extent such material misapplication of funds is not covered by insurance) (collectively, "Malffeasance");
- b. debt service on any loans secured by the Property;
- c. license fees, permit fees, insurance appraisal fees, fines, penalties, legal fees, accounting fees incurred in the auditing of tenants' books and records to establish and collect coverage or percentage rents, and all similar fees reasonably incurred in connection with the ownership, management or operation of the Property, provided, however, that any fines or penalties shall be reimbursed to Owner by Manager if imposed by reason of delay in payment caused by Manager's Malffeasance;
- d. premiums on all policies of insurance;
- e. salaries, wages and other related expenses, bonuses and fringe benefits for on-site personnel, service contracts, utilities, repairs, replacements, on-site administration expenses and Manager's compensation;
- f. the Management Fee and any other sums payable hereunder to Manager;
- g. contributions to merchants associations, if and as required by any outstanding agreements; and advertisement and public relations costs for promotional activities; and
- h. any and all other expenses or costs that are customarily disbursed by managing agents of properties comparable to the Property or that are required in order for Manager to perform its duties.

In no event shall Manager be required to pay any bills or charges from its own funds, except as otherwise specifically provided herein.

9. Engaging, at the expense of Owner, any outside collection agency Manager deems appropriate for the collection of rent or other revenues or instituting, in Manager's name (but only if Manager so elects) or in the name of Owner, but in any event at the expense of Owner, any and all legal actions or proceedings to collect rent or other income from the Property or to oust or dispossess tenants or other persons therefrom, or cancelling or terminating any lease or the breach thereof or default thereunder by the tenant, and holding all security deposits posted by tenants and occupants and applying the same against defaults by the tenant or occupant. Manager shall hold all security deposits in a separate account if required by law or if requested by Owner. Manager shall not terminate any lease or evict the tenant thereunder without the prior approval of Owner.

10. Rendering such statements at such times and in such formats as Owner shall reasonably request and as shall be customary for properties comparable to the Property, including, without limitation, monthly cash flows, quarterly reports and operating statements and annual budgets as provided below.

11. Maintaining, at Manager's expense, insurance with reasonable deductibles, if any, for any and all claims or causes of action arising from bodily injury, disease or death of any of Manager's employees, agents, or representatives and for any and all claims or causes of action arising from Manager's negligence, infidelity or wrongful acts in connection with the performance of this Agreement, as well as employer's liability and worker's compensation for Managers employees and fidelity bonds for employees of Manager that handle funds and proceeds from the Property, in each case at customary levels of coverage.

12. Causing, at Owner's expense, all such acts and things to be done in or about the Property as shall be necessary to comply with all statutes, ordinances, laws, rules, regulations, orders and determinations, ordinary or extraordinary, foreseen or unforeseen of every kind or nature affecting or issued in connection with the Property by any governmental authority having jurisdiction thereof, as well as with all such orders and requirements of the Board of Fire Underwriters, Fire Insurance Exchange, or any other body that may hereafter exercise similar functions (collectively, "Applicable Laws"). In the event that Manager's good faith estimate of the cost of complying with any Applicable Laws shall exceed \$100,000 in connection with the Property, Manager shall not take any action to comply with Applicable Laws without first obtaining the consent of Owner. Notwithstanding the foregoing, however, Owner shall have no obligation to pay for the expenses incurred in connection with compliance with Applicable Laws to the extent such costs are incurred due to Managers Malfeasance or material breach of this Agreement. Manager shall have the right to contest such Applicable Laws, and pending the final determination of the contest, Manager may withhold compliance, provided that Manager shall receive Owner's prior consent to so withhold compliance. Manager agrees to contest any Applicable Law Owner shall request Manager to contest.

13. Filing applications, in Manager's name (but only if Manager so elects) or in the name of Owner, but in any event at Owner's expense for the reduction of real estate tax assessments and/or water charges and sewer rents, and/or for the cancellation or reduction of any other taxes, assessments, duties, imposts or other obligations of any nature imposed by law; and instituting any and all legal actions or proceedings in connection therewith; filing, settling, trying or appealing of all such applications and/or proceedings, upon such terms and conditions as Manager deems appropriate, provided, however, that Manager shall receive the consent of Owner prior to the institution or setting of any legal action or proceeding.

14. Taking, at Owner's expense and with the prior consent of Owner, any appropriate steps to protest and/or litigate to final decision in any appropriate court or forum any violation, order, rule or regulation affecting the Property.

15. Engaging, at Owner's expense, counsel, approved by Owner, and paying counsel fees and court costs and disbursements in connection with any proceedings involving the Property.

16. Assisting Owner in obtaining financing for the Property and causing Owner to comply, or complying on behalf of Owner, at Owner's expense, with all terms, conditions and obligations of any lease, mortgage, credit agreement, reimbursement agreement, development agreement, construction agreement, or any other agreement that shall relate to any matters in connection with the rental, operation or management of the Property, unless prevented or delayed by strikes, riot, civil commotion, war, inability to obtain materials because of governmental restrictions or acts of God or public enemy, or any other cause beyond Manager's control.

17. Performing administrative services required in connection with managing the Property, including, without limitation, the following:

- a. administration of tenants' insurance and enforcement of continuing coverage in accordance with the terms of the leases.
- b. confirmation of lease commencement dates and termination dates.
- c. liaison with the tenants as Owner's representative.
- d. supervision of tenant litigation in conjunction with Owner's legal counsel.
- e. obtaining sales volume reports from tenants and calculating and collecting percentage rents as a result of those reports.
- f. providing necessary information to Owner for tax reporting, in a format reasonably approved by Owner and upon Owner's request, initiating together with Owner's counsel, property tax appeals.
- g. providing quarterly financial statements, in a format reasonably approved by Owner, reflecting in reasonable detail the operating income and expense of the Property.
- h. alerting Owner if tenant sales volume reports appear inaccurate and recommend audits.
- i. reporting and making recommendations regarding unusual tenant problems requiring Owner's approval.
- j. obtaining contractors to maintain, operate and provide security for the Property.
- k. coordinating with any consultants retained by Owner in connection with the Property.

18. Preventing the use of the Property for any purpose that would void any insurance policy covering the Property, or that would render any loss thereunder uncollectible, or that would be in violation of any governmental restriction, any tenant lease or any reciprocal easement agreement.

B. Owner shall be responsible for, and shall indemnify Manager against, all costs incurred in connection with the operation and management and development of the Property, except to the extent such costs are incurred in connection with Managers Malfeasance or material breach of this Agreement, and all past, present and future liabilities of Owner, including, without limitation:

1. all outside professional fees, including attorneys, accountants and architects;
2. taxes;
3. insurance (other than workers' compensation insurance for Manager's employees and as otherwise provided herein), including retiree health liability insurance and directors' and officers' liability insurance;
4. fees and expenses applicable to Owner;
5. costs that are, at the discretion of Owner, for services not included in this Management Agreement, including, without limitation, salaries and other expenses of employees (other than employees of Manager) performing services for Owner in connection with the operation and management and development of the Property.

ARTICLE V

Development

Manager agrees to design and plan the development of the Property and to manage the construction and development of the Property and to perform, or cause to be performed by outside contractors, the following functions on behalf of Owner in an efficient and diligent manner using the same standard of care, including bidding and selection processes, used by Vornado Realty Trust in connection with properties owned and managed by Vornado Realty Trust:

1. Obtaining or assisting Owner in obtaining, on behalf of Owner and at Owner's expense, all required building permits and other governmental approvals or consents, along with any zoning variances or other zoning approval, necessary to initiate the development of the Property.
2. Retaining at Owner's expense, all architects, engineers, contractors, construction managers and consultants (collectively "Consultants") necessary or desirable in completing the design and planning of the development of the Property and negotiating, on behalf of Owner, any contracts with Consultants.
3. Monitoring and coordinating the activities of the Consultants retained for the planning and design of the Property.
4. Assisting and cooperating with Owner in all aspects of arranging or acquiring any construction or other financing required for the Property, including, without limitation, meeting with and furnishing information to prospective lenders.
5. Preparing and filing, or causing the preparation and filing at the expense of Owner of, all returns (other than income, franchise and other similar returns), statements, declarations and filings that may from time to time be required of Owner in connection with the planning, design and development of the Development Property by any municipal, state, federal or other governmental or statutory authority having jurisdiction over the development of the Development Property.

6. Preparing an initial budget as soon as practicable, but in any event prior to the commencement of any construction at the Property (including, without limitation, an estimate of the timing of the incurrence of expenditures contained in the budget) and make any revisions or adjustments necessary to acquire approval of Owner for such budget, the approved budget for the Property being herein called the “ Development Budget ”. Manager shall recommend any revision to the Development Budget that Manager from time to time may deem appropriate, or as Owner may reasonably request, in each case to be approved by Owner, provided, however, that Manager’s obligation to seek Owner approval of change orders shall be limited to change orders exceeding, in the aggregate, ten percent (10%) of the applicable line item in the initial Development Budget. The approval by Owner of the Development Budget and any revisions thereto shall also constitute authorization by Owner of the expenditures and commitments provided for therein and, subject to the other provisions of this Agreement, Manager then shall be entitled to act for Owner in incurring the expenditures and making commitments to the extent provided for in the approved initial or revised Development Budget, as applicable.

7. Recommending, for Owner’s approval, such Consultants as may be necessary or desirable for the development of the Property and negotiating on behalf of Owner any contracts and agreements as are necessary or desirable in connection with the development of the Property with such Consultants approved by Owner and supervising the performance by such Consultants thereunder, including, without limitation, the supervision and processing of change requests and change orders.

8. Monitoring and coordinating the activities of the Consultants and, where appropriate, assisting Owner in performing Owner’s obligations under the contracts with Consultants.

9. Supervising the collection and review of all documentation required to be submitted to any construction lender or other lender in connection with the development of the Property and supervising all disbursements made pursuant to any financing.

10. Supervising the ordering and installation of equipment or other supplies necessary for the development of the Property.

11. Preparing (i) quarterly progress reports regarding the development of the Property, detailing any deviations from the Development Budget and providing explanations for such deviations, (ii) all reports required under loan agreements affecting Owner and (iii) promptly after the completion of the development of the Property, preparing a report of actual Development Costs incurred in connection with the development, separately identifying as estimated items those, if any, that cannot be finally determined at the time of the final report.

12. Providing regular and continuing accounting services, on the basis of standard accounting practices for similar projects consistently applied, of all costs and expenses incurred by Owner in connection with the development of the Property, and the receipt and use of borrowed funds or funds otherwise made available.

13. Attending meetings as reasonably required or requested by Owner.

14. Assisting Owner in obtaining and maintaining in full force and effect at all times during the term of construction at the Property all-risk builder’s risk insurance (including coverage against collapse and fire) written on a progress basis and including commercial public liability insurance with incidental contract coverage, with such insurers, in such amounts and under such policies as may be reasonably satisfactory to Owner and the expense of maintaining such insurance shall be an expense of, chargeable to, or paid by Owner.

15. Generally performing such other acts and things as may be reasonably required for coordinating, monitoring, administering and supervising the full and complete planning, design construction and development of the Property.

ARTICLE VI

Annual Budget

A. On or before the beginning of each calendar year, Manager shall prepare and submit to Owner a proposed budget (hereinafter referred to as the “Proposed Budget”) of the estimated operating and capital expenses of the Property for the next fiscal year or such other operating period as may be agreed to by the parties.

B. Owner shall have the right to approve or disapprove the Proposed Budget. The final budget for the fiscal year is referred to as the “Approved Budget” in this Agreement. The Approved Budget shall be subject to quarterly comparisons and revisions, which revisions the Manager and Owner mutually shall agree to be appropriate all such revisions as approved by Owner shall be considered part of the “Approved Budget”. Manager shall make expenditures without the specific approval of Owner if:

1. The expenditure (or group of related expenditures) has been generally identified in an Approved Budget line item and exceeds the amount shown in respect thereof in such budget line item by no more than ten percent (10%).
2. The expenditure (or group of related expenditures) has not been generally identified in the Approved Budget but does not exceed \$100,000.
3. The expenditure (or group of related expenditures) exceeds \$100,000 and was either not anticipated or exceeded the Approved Budget by more than ten percent, but is not discretionary.
4. The expenditure is required by a condition or situation that in Manager’s professional judgment constitutes an emergency. In any case where an emergency situation exists that is of serious financial or physical consequence, Manager may act in the best interest of Owner, but Manager shall attempt to notify Owner prior to making the expenditure, but in any event, Manager shall report verbally the making of the expenditure to Owner no later than 24 hours after the occurrence of the emergency.

ARTICLE VII

Owner to Execute Documents

Owner covenants and agrees that wherever in this Agreement it is provided that Manager may take any action in the name of or on Owner’s behalf, Owner will promptly execute any documents that may be required by Manager for the purposes of carrying out any of Manager’s functions as same are set forth.

ARTICLE VIII

Assignment ; Cancellation

A. Simultaneously herewith, Vornado Realty Trust has entered into a Guaranty, dated the date hereof, in favor of Owner, guaranteeing performance of the duties and obligations of Manager hereunder, and agreeing, to the extent necessary, to make available to the Specified Vornado Affiliate the resources of Vornado Realty Trust for the purposes of carrying out such duties and obligations, (the "Guaranty"). Neither Owner nor Manager shall assign this Agreement or any of its rights hereunder without the consent of the other party; provided, however, that Manager shall have the right to assign its rights and delegate its duties under this Agreement to any Specified Vornado Affiliate (as defined herein) without the consent of Owner, provided that, (a) in connection with any such assignment, Manager shall cause Vornado Realty Trust to deliver a ratification of the Guaranty, in form and substance reasonably satisfactory to Owner, (b) notwithstanding any such assignment to a Specified Vornado Affiliate, the indemnification of Owner by Vornado Realty Trust set forth in Article XI hereof shall remain the obligation of Vornado Realty Trust, and (c) references to the standard of care, customarily provided services and reporting standards applicable to Manager in performing its duties under this Management Agreement shall continue to be the same standard of care and reporting standards applicable to Vornado Realty Trust in connection with property owned by Vornado Realty Trust; and further provided that Owner shall have the right to collaterally assign its rights under this Agreement to one or more lenders providing financing with respect to the Property. For purposes of this Article VIII, "Specified Vornado Affiliate" shall mean Vornado Realty L.P. or Vornado Realty Trust or any entity which directly or indirectly controls either of them, is directly or indirectly controlled by either of them or is under direct or indirect common control with either of them.

B. In the event that there is a change of control of Vornado Realty Trust or Manager after the date of this Agreement, Owner shall have the right to terminate this Agreement if Owner shall determine that such change of control is reasonably likely to have a material adverse effect on the ability of Manager to perform its obligations under this Agreement. For purposes of this Article VIII, "change of control" shall mean that the aggregate interest of Interstate Properties and its partners in Vornado Realty Trust shall be less than twenty percent of the ownership interests therein.

C. In the event that all of the Property is sold or otherwise disposed of, this Agreement shall, from and after the date of any such sale or disposition, cease and terminate and all accrued but unpaid Management and Development Fees (i.e., accrued Development Fees being calculated not on total Development Costs but only on the Development Costs accrued up to the date of termination) shall thereupon be due and payable. As to any sale or disposition from time to time of portions of the Property, from and after the date of any such sale or disposition, this Agreement shall cease to apply as to such portions of the Property and Owner and Manager hereby agree that the Management Fee shall be equitably adjusted downward if appropriate to the extent required to reflect the decrease (if any) in services rendered. In the event that Owner and Manager are unable to agree on the amount of the adjustment as provided in this paragraph, then the parties hereto hereby agree that the dispute shall be submitted promptly by them to the American Arbitration Association for the City of New York for determination in accordance with its rules, and such determination shall be binding upon both parties.

D. This Agreement shall be non-cancelable, except as permitted by the terms of this Agreement.

ARTICLE IX

Breach ; Termination

A. If either party shall commit a material breach of this Agreement, the other party shall serve written notice upon the allegedly breaching party, and the notice shall set forth the details of such alleged breach. Owner covenants and agrees that Manager shall not be deemed to have committed a material breach of this Agreement unless Manager wilfully violates any provision hereof, is grossly negligent in the observance or performance of any of its obligations hereunder, acts in bad faith in connection with its duties under this Agreement, or materially misapplies any funds received from the Property (to the extent not covered by insurance).

B. Owner shall, within thirty (30) days after its receipt of said notice, cure such breach unless it disputes the claim as set forth in Paragraph D of this Article IX. If Owner does not cure within such ten-day period, Manager shall have the right, but not the obligation, to cease providing services hereunder until the breach shall be cured. In the event that Manager shall cease providing services hereunder pursuant to this Paragraph, Owner shall have the right to terminate this Agreement and replace Manager in which event Manager promptly shall deliver to Owner all books and records with respect to the Property that are in Manager's possession and otherwise comply with paragraph I below, and upon its receipt of any outstanding payments due to it, shall cooperate with the successor Manager to effect a smooth transition in the management and operation of the Property.

C. Manager shall, within thirty (30) days after its receipt of a notice under Paragraph A of this Article IX, cure such breach unless it disputes the claim as set forth in Paragraph D of this Article IX; or if said breach cannot be cured within said thirty (30) day period, Manager shall within said time period commence and thereafter diligently and continuously proceed with all necessary acts to cure such breach, subject to the terms of any loan documents and other material agreements affecting the Property. If Manager shall fail within said time period to cure the said breach, Owner shall have the right, by sending a second written notice to Manager, to terminate this Agreement effective immediately or as of a particular date which shall be specified in said second notice.

D. If the party who receives the notice of breach shall, within five (5) days after receipt of such notice, send the notifying party a written notice disputing the claim of material breach and demanding arbitration thereof, then the parties hereto hereby agree that the dispute shall be submitted promptly by them to the American Arbitration Association for the City of New York for determination in accordance with its rules, and such determination shall be binding upon both parties. During the pendency of said arbitration, Manager shall continue to perform all of its obligations as Manager under this Agreement. If it is determined that the party did commit a breach, then the breach shall be cured within ten (10) days after service of a copy of the award or determination on the breaching party; and if not so cured, this Agreement shall be terminated.

E. If, at any time during the term of this Agreement, there shall be filed against either of the parties hereto in any court, pursuant to any statute either of the United States or any state, a petition in bankruptcy or insolvency or for reorganization of or for the appointment of a receiver or trustee of all or a portion of the property of either party, and such petition is not discharged within thirty (30) days after the filing thereof, or if either party makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement, or permits this Agreement to be taken under any writ of execution or attachment, then in any of such events, the other party hereto shall have the right to terminate this Agreement by giving written notice, by certified mail, effective as of a particular date specified in said notice.

F. Manager and Owner shall each have the further right to terminate this Agreement or any portion or provision thereof or activity thereunder on not less than thirty (30) days' prior written notice to the other party if Manager or Owner shall determine in good faith that this Agreement shall or may deprive Manager or Alexander's, Inc. of any benefits appurtenant to that Party's future qualification as a REIT under all applicable laws, including, without limitation, the Internal Revenue Code of 1986, as amended from time to time (the "Code"), or continued benefits if that party is a REIT.

G. Upon full or partial termination, or expiration of this Agreement, all of the obligations of either party to the other shall terminate immediately except (i) Manager shall comply with the applicable provisions of Subsection I below, (ii) Owner shall pay to Manager all Management and Development Fees and expenses earned and/or due hereunder to the date of termination or expiration. Upon any termination of any portion, provision or activity of or under this Agreement, the provisions of the preceding sentence shall apply in respect of the terminated portion, provision or activity. Owner shall pay Manager any amount owed to Manager under this Agreement within 30 days after any termination of this Agreement.

H. Notwithstanding anything to the contrary contained elsewhere herein, in the event that the Amended and Restated Management and Development Agreement dated July 3, 2002 between Alexander's Inc. and Vornado Realty Trust is terminated for any reason, Owner shall have the option to terminate this Management Agreement upon written notice to Manager given at least three months prior to such termination.

I. Upon the expiration or earlier termination or partial termination of this Agreement with respect to the Property or any part thereof, Manager shall:

1. Deliver to Owner, or such other person or persons designated by Owner, all books and records of the Property and all funds in its possession belonging to Owner or received by Manager pursuant to this Agreement with respect to the Property, together with all leases and all other contracts related to the Property; provided, however, that Manager shall have the right to keep a copy of all such records: and

2. Assign, transfer or convey to Owner, or such other person or persons designated by Owner, all service contracts and personal property of Owner relating to or used in the operation or maintenance of the Property. Upon the expiration or termination of this Agreement, Manager shall render a full account to Owner and shall deliver to Owner a statement outlining in detail all management fees due to Manager hereunder with respect to the Property, shall cause the net amount of any funds held by Manager in connection with the Property to be delivered to Owner and shall cooperate with Owner in the transition by Owner to a replacement property manager, if applicable.

Owner shall compensate Manager for all costs and expenses incurred by Manager in good faith in connection with the transition of the management of the Property from Manager to any new manager.

ARTICLE X

No Joint Venture

It is the intent of this Agreement to constitute Manager as an independent contractor and as agent of Owner under any contract entered into by Manager on behalf of Owner in accordance with the terms of this Agreement, and this Agreement shall be so construed and Manager agrees at all times to act in conformity therewith. Nothing herein contained shall be deemed to have created, or be construed as having created any joint venture or partnership relationship between Owner and Manager. At all times during the performance of its duties and obligations arising hereunder, Manager shall be acting as an independent contractor.

ARTICLE XI

Indemnity

A. Owner shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless Manager, its officers, directors, trustees, partners, agents, employees and representatives against any losses, claims, damages or liabilities to which such person may become subject in connection with any matter arising out of or in connection with this Agreement, except for any loss, claim, damage or liability caused by Manager's Malfeasance. If Manager becomes involved in any capacity in any action, proceeding or investigation in connection with any matter arising out of or in connection with this Agreement, Owner shall reimburse Manager for Manager's legal and other expenses (including the cost of any investigation and preparation) as they are incurred in connection therewith; provided, however, that Manager shall promptly repay to Owner the amount of any such reimbursed expenses paid to it to the extent that it shall ultimately be determined that Manager, its officers, directors, trustees or agents were not entitled to be indemnified by Owner in connector with such action, proceeding or investigation.

B. Manager shall indemnify, defend and hold harmless Owner and each of their respective officers, directors, trustees, partners, representatives, employees and agents from and against any and all claims, losses, damages or liabilities, to which such person may become subject and arising out of Manager's Malfeasance or the Malfeasance of any of its employees, representatives or agents in performing its or their duties under this Agreement, except to the extent caused by the Malfeasance of Owner or any of their respective officers, directors, trustees, shareholders, partners, representatives, employees or agents. If Owner becomes involved in any capacity in any action, proceeding or investigation in connection with any matter arising out of or in connection with this indemnity, Manager shall reimburse Owner for Owner's legal and other expenses (including the cost of any investigation and preparation) as they are incurred in connection therewith; Provided, however, that Owner shall promptly repay to Manager the amount of any such reimbursed expenses paid to it to the extent that it shall ultimately be determined that Owner, its officers, directors, trustees or agents were not entitled to be indemnified by Manager in connection with such action, proceeding or investigation. Notwithstanding anything contained herein, Manager's liability hereunder shall be limited (except to the extent covered by insurance) to the aggregate amount of the Management Fee received by Manager as of the date such liability is determined.

C. The terms of this Article XI shall survive the expiration or termination of this Agreement.

ARTICLE XII

Notices

Any and all notices, consents or directives by either party intended for the other shall be in writing sent by hand delivery or reputable overnight courier service to the respective addresses first herein set forth in this Agreement, with copies sent to Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, Attention: Chief Financial Officer, and Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019, Attention: President, unless either party shall have designated different addresses by serving written notices of change of addresses on the other party by registered or certified mail, return receipt requested.

ARTICLE XIII

Miscellaneous

A. This Agreement cannot be changed or modified, varied or altered except by an agreement, in writing, executed by each of the parties hereto. This Agreement constitutes all of the understandings and agreements of whatsoever kind or nature existing between the parties in connection with the relationship created herein.

B. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

C. Neither Owner nor Manager shall make (and each hereby waives) any claim against the other party's directors personally or against the other party's trustees, beneficiaries or shareholders personally. Manager shall (and is hereby authorized to) insert in all leases, documents and agreements executed by it on behalf of Owner, a provision that Manager's directors, trustees, beneficiaries or shareholders shall not be personally liable thereunder.

D. Owner shall have the right to collaterally assign this Agreement to a lender providing financing to Owner, and Manager agrees to execute and deliver a recognition agreement, in a commercially reasonable form, providing that (a) such lender may assume Owner's interest in this Agreement and (b) Manager will perform the services set forth herein for so long as such lender continues to perform the obligations of Owner hereunder. Any termination hereof by the lender other than in accordance with the terms of this Agreement (as opposed to in accordance with the recognition agreement) shall not relieve Owner of its obligations hereunder. In no event shall an assumption by the lender under such a recognition agreement release Owner from its obligation hereunder with respect to accrued fees or otherwise.

E. Any approval or consent required by or requested of Owner pursuant to the terms of this Agreement may be withheld in the sole and absolute discretion of Owner, unless otherwise expressly provided.

F. Manager and Owner hereby expressly acknowledge and agree that any third party engaged in accordance with the terms of this Agreement to perform any of the services contemplated hereunder shall be at Owner's expense.

G. Owner and Manager acknowledge that nothing contained in this agreement shall restrict or otherwise affect the rights of Vornado Realty Trust or any affiliate thereto in connection with any loan facility provided by Vornado Realty Trust or such affiliate to Alexander's, Inc. and/or its subsidiary.

H. Anything contained in this Agreement to the contrary notwithstanding, Manager's agreement to undertake the obligations set forth in this Agreement shall not constitute or be deemed to constitute an express or implied warranty concerning the general affairs, financial position, stockholders' equity, financial results of operations or prospects of Owner.

ARTICLE XIV

Declaration of Trust

A. Manager shall use every reasonable means to assure that all persons having dealings with Manager shall be informed that no trustee, shareholder, officer or agent of Manager shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of Owner, but the trust estate only shall be liable. Manager recognizes and agrees that every agreement or other written instrument entered into by Manager on behalf of Owner shall contain a provision stating the above limitation.

B. Manager represents, warrants and agrees that neither it nor any affiliated or related person or entity (including any person or entity owning any interest in Manager) is now, or shall become during the term of this Agreement, a borrower of any funds advanced by Alexander's, and Manager shall advise Alexander's promptly, in writing, should such representation and warranty become untrue. Manager shall, from time to time, furnish such information as may reasonably be requested by Owner in order to facilitate Alexander's qualification as a REIT under the Code.

ARTICLE XV

Continued Qualification as a REIT

A. Manager shall make reasonable efforts not to enter into any agreement (including, without being limited to, any agreement for the furnishing of non-customary services), without the consent of Owner, with any tenant or other occupant of the Property, that would result in (A) the disqualification of Alexander's as a REIT entitled to the benefits of Section 856 et seq. of the Code, (B) the imposition of any penalty or similar tax on Alexander's (including, without being limited to, the tax imposed on the failure to meet certain income requirements under Section 857(b)(5) of the Code and the tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code) or (C) any part of the rental or other consideration paid thereunder by such tenant or occupant to Alexander's, or to Manager on behalf of Alexander's, being held not to constitute either "rents from real property" or "interest on obligations secured by mortgages on real property or on interests in real property" or "interest on obligations secured by mortgages on real property or on interest in real property" or other income described in Sections 856(c)(2) and (c)(3) of the Code.

B. Owner shall cause Alexander's Inc. to make reasonable efforts to assure, by prior review of agreements to be entered into by Manager, that no such agreement contains provisions that would result in the disqualification of Alexander's as a REIT entitled to the benefits of Section 856 et seq. of the Code, receipt by the Owner of non-qualifying income, or imposition of a penalty or similar tax (including, without being limited to, the tax imposed on the failure to meet certain income requirements under Section 857(b)(5) of the Code and tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code), and specifically agrees that Manager shall be entitled to rely upon the advice of Alexander's designated counsel as to any such matter; provided, however, that, without regard to whether such review has been performed or advice rendered, if any document or other written undertaking entered into or made by or on behalf of Owner or any constituent entity of Owner shall, in the reasonable opinion of counsel to Alexander's, contain any provision that would result in a significant risk of the disqualification of Alexander's as a REIT, receipt by Alexander's of non-qualifying income, imposition on Alexander's of any penalty or similar tax (including, without being limited to, the tax imposed on the failure to meet certain requirements under Section 857(b)(5) of the Code and the tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code), all as provided for in said Section 856 et seq., then:

(i) such provision shall promptly be amended or modified, to the reasonable satisfaction of counsel to Alexander's so as to remove the risk of such result, such amendment or modification to be retroactive to the date of such document or other undertaking, or to a date approved by counsel to Alexander's; or

(ii) if a satisfactory amendment or modification cannot be agreed upon as set forth in clause (i) above, any such document or other undertaking shall be terminated by Alexander's, such termination to be retroactive to the date of such document or other undertaking, or to a date approved by counsel to Alexander's, and effective as to all terms and provisions of such document or other undertaking, except such provisions thereof as call for the making of any distribution or the payment of any compensation to any third party, for the purpose of which provisions, the termination date shall be deemed to be without retroactive effect.

C. Manager agrees that it shall cooperate with Owner in accomplishing a satisfactory amendment or modification of any such document or other undertaking, or the termination thereof, and shall, on request, execute and deliver any and all agreements and other documents reasonably required to effect such amendment or modification, or such termination. Manager shall submit any agreement proposed to be entered into by or on behalf of Owner to Owner's designated counsel for review a reasonable period of time prior to the proposed execution of such agreement.

IN WITNESS WHEREOF, the parties hereto have hereunto executed this Agreement as of the 20th day of December, 2007.

OWNER:

ALEXANDER'S OF REGO PARK II, INC., a Delaware corporation

By: /s/ Alan J. Rice

Name: Alan J. Rice

Title: Authorized Signatory

MANAGER:

VORNADO REALTY, L.P., a Delaware limited partnership

By: Vornado Realty Trust, a Maryland real estate investment trust, its general partner

By: /s/ Joseph Macnow

Name: Joseph Macnow

Title: Executive Vice President – Finance and
Administration and Chief Financial Officer

EXHIBIT A

“REGO PARK PROPERTY”

ADDRESS: Junction Boulevard

Rego Park, New York

“REGO PARK II”

TAX MAP DESIGNATION:

BLOCK: 2080 LOT: 101

CITY: New York COUNTY: Queens STATE: New York]

THIRD AMENDMENT TO REAL ESTATE RETENTION AGREEMENT

THIS THIRD AMENDMENT TO REAL ESTATE RETENTION AGREEMENT (this “Amendment”) is made as of the 20th day of December, 2007, by and among ALEXANDER’S INC., a Delaware corporation (“Alexander’s”), having an address at 210 Route 4 East, Paramus, New Jersey 07652, (sometimes hereinafter referred to as “Owner”), and VORNADO REALTY, L.P., a Delaware, having an office at 210 Route 4 East, Paramus, New Jersey 07652 (“Consultant”).

RECITALS

A. Alexander’s and Consultant’s predecessors-in-interest, Vornado, Inc. and Keen Consultants Inc., have heretofore entered into that certain Real Estate Retention Agreement, dated July 20, 1992 as amended by amendments dated July 3, 2002 and January 1, 2007 (the “Retention Agreement”).

B. As of the date hereof, Consultant and Alexanders of Rego Park II, Inc. have entered into that certain Rego II Real Estate Retention Agreement (the “Rego II Retention Agreement”), relating to the property located at Junction Boulevard Rego Park, New York and identified as tax block 2080, lot 101 (the “Rego II Property”).

C. Whereas, Owner and Manager desire to amend the Retention Agreement to delete the Rego II Property from such Retention Agreement and to make certain other conforming changes.

NOW THEREFORE, in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, Owner and Manager hereby agree to the following amendments to be effective from and after the date hereof (the “Effective Date”):

1. Schedule of Assets. The reference in the Schedule of Assets to the Retention Agreement to the “Rego Park, Queens” property shall hereafter be deemed to exclude the Rego II Property.
2. Fee. The third sentence of Article II.C.1.(b) is hereby amended to insert the following after the words “under the 59th Street Retention Agreement”: “and the Rego II Retention Agreement”.
3. Counterparts. This Amendment may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.
4. Defined Terms. All terms capitalized but not defined herein shall have the same meaning ascribed to such terms in the Retention Agreement. The marginal headings and titles to the paragraphs of this Amendment are not a part of this Amendment and shall have no effect upon the construction or interpretation of any part hereof.
5. Amendment. This Amendment is incorporated into and made a part of the Retention Agreement, and the Retention Agreement and all terms, conditions and provisions of the Retention Agreement are ratified and confirmed in all respects and is and shall continue to be in full force and effect as modified and amended hereby.
6. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.
7. No Modification. This Amendment constitutes the entire understanding of the parties with respect to the subject hereof and may not be amended except in a writing executed by the parties hereto.
8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto, and their successors and permitted assigns.
9. Accrued Rego II Fees. Consultant acknowledges and agrees that any fees that become payable with respect to the leases listed on Schedule A attached hereto shall be payable under the Rego Park II Retention Agreement and not the Retention Agreement modified by this Amendment.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

OWNER:

ALEXANDER'S INC., a

Delaware corporation

By: /s/ Alan J. Rice

Name: Alan J. Rice

Title: Authorized Signatory

MANAGER:

VORNADO REALTY, L.P.

By: /s/ Joseph Macnow

Name: Joseph Macnow

Title: Authorized Signatory

Schedule A

Lease dated March 22, 2005 between Owner, as landlord, and Century Rego Realty LLC, as tenant.

Lease dated December 6, 2006 between Owner, as landlord, and Home Depot U.S.A., Inc., as tenant.

Lease dated June 12, 2006 between Owner, as landlord, and Kohl's Department Stores, Inc., as tenant.

REGO II REAL ESTATE

RETENTION AGREEMENT

By this Rego II Real Estate Retention Agreement, dated as of the 20th day of December, 2007, VORNADO REALTY L.P., a Delaware limited partnership having an office c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019 (“Vornado”) agrees to act as special real estate consultant to ALEXANDER’S OF REGO PARK II, INC., a Delaware corporation having an office c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019 (“Owner”), with respect to the leasing and disposition of Owner’s real property, as well as the sale of Owner’s right, title and interest in the fixtures and improvements thereat (which is disposed of with the real property) as more specifically described in the attached Schedule A (the “Asset(s)”), and the compensation Vornado expects to receive.

I. SUMMARY OF MARKETING SERVICES

Vornado will provide those services that are reasonably necessary to market the Assets, as contemplated by this Retention Agreement. Such services may include, but are not necessarily limited to, those generally described below:

1. Inspecting the Assets to determine their physical condition.
2. Creating a marketing program which may include newspapers, magazine or journal advertising, flyer solicitation and placement of signs, as appropriate. Preparing and disseminating all such marketing materials, all of which shall be approved by Owner and shall be at the sole cost and expense of Owner.
3. Communicating with parties who have expressed an interest in the Assets and responding and providing information to, negotiating with, and soliciting offers from, prospective purchasers, including landlords, and making recommendations to Owner as to the advisability of accepting particular offers and settlements.
4. Arranging for physical inspections of the Assets by prospective purchasers.
5. When requested, meeting periodically with Owner, their accountants and attorneys, in connection with the status of Owner’s efforts and recommending to Owner and its counsel the proper method of handling the particular problems encountered with respect to the disposition of the Assets.
6. If required, appearing in Court during the term of this retention, to testify or to consult with Owners in connection with the marketing or disposition of the Assets.

II. BASIS OF RETENTION AND COMPENSATION

Vornado will actively and diligently discharge its obligations under this Agreement. Vornado shall be retained by Owner for the purpose of performing the services outlined above, upon the following terms and conditions:

A. Exclusive Right:

1. Vornado shall have the sole and exclusive authority to offer each Asset for disposition and the “exclusive right to sell” and “exclusive right to lease” each Asset. All communications and inquiries regarding any Asset, whether directed to Owner (including but not limited to their officers, agents and employees), or Owners’ counsel, accountants, or other professionals, shall be redirected to Vornado.
2. Owner shall retain the complete discretion and authority to accept or reject any offer. Owner shall not have any liability whatsoever to Vornado for exercising its discretion with respect to the acceptance or rejection of any offer.

B. Term: The term of Vornado’s retention shall be from the date hereof and shall continue for one (1) year hereafter, and, thereafter, shall automatically renew on a year-to-year basis, terminable by either party at the end of each year on not less than sixty (60) days’ prior notice.

C. Fee: Vornado’s fee shall be computed and paid as follows:

- (a) When Owner disposes of an Asset, whether individually or as part of a package or as part of the disposition of Owner’s business or a portion thereof, or as part of a plan of reorganization, by sale (other than a foreclosure sale), assignment, lease, sublet or otherwise to a third party, or by assignment of a leasehold to the landlord or by termination of a leasehold for which Owner receives consideration (any of the foregoing, an “Asset Transaction”); or if in lieu of a disposition

of the Assets, one or more third parties acquires control of Owner by merger, outright purchase, or otherwise in one or multiple transactions (any of the foregoing, an "In Lieu Asset Transaction"; an In Lieu Asset Transaction or an Asset Transaction being referred to herein as an "Acquisition Transaction"); then, (i) if the Gross Proceeds from the Asset Transaction or In Lieu Asset Transaction, as the case may be, exceed \$50,000,000, Owner shall pay an amount equal to one percent (1%) of the Gross Proceeds from the Asset Transaction or In Lieu Asset Transaction, as the case may be, and (ii) if the Gross Proceeds from the Asset Transaction or In Lieu Asset Transaction, as the case may be, are equal to or less than \$50,000,000, Owner shall pay an amount equal to three (3%) of the Gross Proceeds from the Asset Transaction or In Lieu Asset Transaction, as the case may be, except in the event of a lease or sublease, in which event Owner shall pay an amount equal to:

(i) three (3%) percent of the total base rent Gross Proceeds payable during the first ten (10) years of the term, plus

(ii) two (2%) percent of the total base rent Gross Proceeds payable during the eleventh (11th) through the twentieth (20th) years of the term, plus

(iii) one (1%) percent of the total base rent Gross Proceeds payable during the balance of the term, but in no event to exceed the thirtieth (30) year;

(In the event of a month-to-month tenancy, the fee shall be 50% of the first month's base rental, payable in four (4) equal monthly installments, but only for so long as such tenancy shall continue. Additional fees shall only become earned and payable (i) upon a tenant's exercise of Option(s) or Rights(s) of First Refusal, to Renew, Extend Lease or Occupy Additional Space or (ii) upon a month-to-month tenant entering into a new lease or sublease of an Asset.)

(b) Vornado's fee will be paid in full simultaneously with the closing, sale, assignment or other consummation of the transaction. Notwithstanding the immediately preceding sentence, Vornado's fees under this Agreement and interest accrued with respect to such fees will be payable in an aggregate amount not to exceed \$4,000,000 in any calendar year (or such lesser amount as may be due Vornado hereunder), less any amounts paid to Vornado under (i) that certain Real Estate Retention Agreement dated as of July 20, 1992, as amended or (ii) that certain 59th Street Real Estate Retention Agreement dated as of July 3, 2002, as amended, with respect to the same period. Interest shall accrue on the unpaid fees outstanding hereunder from time to time at the 1-year LIBOR rate plus 100 basis points, such rate to be determined annually as of the first day of January of each year. The fees and interest payable hereunder shall be paid in equal monthly installments (the "Installments") until such fees and interest accrued thereon have been paid in full. Installments shall be applied first to interest accrued hereunder and then to reduction of the fees outstanding hereunder from time to time. Fees payable with respect to a sale, assignment or In Lieu Asset Transaction shall be paid first and Vornado shall not be entitled to receive any fees with respect to a lease or sublease to the extent the tenant is in default of its payment obligations thereunder, except as a result of a default by the Owner or a termination by Owner of the lease or sublease (other than a termination by the Owner resulting from the tenant's monetary default). Any fees that become payable with respect to the leases listed on Schedule B attached hereto shall be payable to Owner under this Agreement in accordance with the above provisions.

(c) In the event that Owner leases or subleases an Asset and the transferee, or any agent, officer, employee, or shareholder of the transferee, acquires fee-simple title to such property within five years, (i) if the Gross Proceeds from the acquisition exceed \$50,000,000, Owner shall pay an amount equal to one percent (1%) of the Gross Proceeds from the acquisition, and (ii) if the Gross Proceeds from the acquisition are equal to or less than \$50,000,000, Owner shall pay an amount equal to three (3%) of the Gross Proceeds from the acquisition payable in the same manner as described above; provided, however, that there shall be a credit against such subsequent fee in the amount of fees previously paid relating to that portion of the lease or sublease term which is cancelled by reason of such sale. In no event shall such credit exceed the amount of the latter fee.

(d) If an Asset for which a fee is payable hereunder contains (i) an option(s) or right(s) of first refusal to renew or extend, and a lease term(s) is renewed or extended whether strictly in accordance with the terms of such option(s) or right(s) or otherwise and/or (ii) an option(s) or right(s) of first refusal to expand, and a tenant occupies additional space whether strictly in accordance with the terms of such option(s) or right(s) or otherwise, with respect to space owned by, or leased to, the Owner, then Owner shall pay a leasing fee in accordance with the provisions of this agreement on the additional base rental to be paid, except that in the case of renewal or extension, the fee shall be calculated at the rate applicable hereunder as if such renewal or extension period were included in the initial term of the lease, and in the case of the tenant occupying additional space, the fee shall be calculated at the rate applicable

hereunder as if such expansion were a new lease. Such fee shall be earned and payable at the time the extended term commences or the additional space is occupied, as applicable.

(e) If a lease for which a fee is payable hereunder contains, as a primary component of the consideration to be paid by a tenant for the rent thereunder, a percentage rent clause, Owner shall pay a fee on the percentage rent payable by the tenant at the commission rate applicable to the period of the lease term for which the percentage rent is payable. Subject to paragraph II.C.1 of this Retention Agreement, the fee shall be payable within fifteen days after the tenant's final payment and accounting of percentage rent for the preceding lease year.

(f) In any transaction whereby Owner leases or subleases an Asset, Vornado shall have the right to receive all formal notifications required pursuant to the lease to the extent that any such notice may affect the rights of Vornado hereunder or the timing or payment of any fees due hereunder. In furtherance of such rights, Owner shall insert within the terms of such lease or sublease a separate paragraph that states Vornado's right to notice, right to a fee as described in the above subparagraphs and Vornado's address and phone number shall be included in the "notice" provision of such lease or sublease.

(g) In the event that a party other than Vornado is a procuring broker who is entitled to a fee, in the event of a lease or sublease, the three-two-one (3-2-1) schedule set forth in paragraphs II.C.1(a)(i), (ii) and (iii) above shall be increased to four-three-two (4-3-2) and Vornado shall pay the fee of the procuring broker. With respect to any sale, assignment or In Lieu Asset Transaction, the fees payable by Owner shall not be increased, and Vornado shall pay any third party procuring broker's fee out of Vornado's fee payable pursuant to this Agreement. For any given transaction, Owner shall be responsible for the payment of only one fee in the amounts set forth herein.

(h) The term "base rent" means the base rent set forth in any lease and shall not include any additional rent, whether for utilities, taxes or otherwise, and which is ordinarily not a component of base rent, which may be payable under such lease.

2. The term "Gross Proceeds" as used herein shall include the sum of:

(a) the total cash consideration transferred to or for the benefit of Owner; plus

(b) the balance, if any, of any outstanding mortgage(s) to be transferred to or assumed by the transferee; plus

(c) any deferred payment obligation granted by Owner to the transferee; plus

(d) the value of any waiver, relinquishment, transfer or assignment of any lien, and/or the value of any deposit, claim, or rights through which consideration is given whereby Owner shall receive compensation or a credit for payment; plus

(e) in the case of an Acquisition Transaction, "Gross Proceeds" shall be the value of the consideration to be received by Owner, its creditors or its stockholders.

3. Except as provided in paragraph II.C.1.(b), the computation of Gross Proceeds as well as the computation of fees hereunder shall not be affected by the costs of advertising, Owners' legal fees, break-up fees, Vornado's expenses nor any closing costs and/or adjustments, including but not limited to adjustments and/or payments of whatever kind to landlords, lienholders, secured parties, mortgages or offerors.

D. Expenses and Disbursements:

1. Vornado will not be responsible for any legal expenses incurred by Owner in connection with its retention of Vornado, the disposition of the Assets and the preparation of legal motions and documents, including but not limited to the costs of preparing contracts and assignments as well as the costs of attending hearings and closing, among other things.

2. All advertising, marketing, and other third party expenses shall be borne by Owner. Vornado will prepare a marketing budget and, upon the retention of Vornado and the approval of the budget by Owner, Owner agrees to pay all such costs and expenses to Vornado immediately upon the proper presentation of invoices. Vornado shall be under no obligation to incur such expenses until such time as Vornado receives funds from Owner.

3. In the event Owner fails or is unable to pay the expenses as above described or such additional expenses as Owner may approve, and Vornado shall have given Owner prior written notice of its intention to resign and the reason therefor and Owner shall not have cured such failure within fifteen (15) days after receipt of such

notice by Owner, Vornado shall have the right to so resign, individually, and pursue any claims that Vornado might have.

E. Survival:

1. In the event Owner and any third party should enter into an agreement providing for the sale, assignment, lease or other disposition of an Asset, or providing for an Acquisition Transaction, before the expiration of this Retention Agreement, and the closing does not occur until after such expiration, then Vornado shall be entitled to a fee in accordance with the terms of this Retention Agreement. If Owner, after the expiration of this Retention Agreement, arranges for the sale, assignment, lease or other disposition of an Asset, or arranges for an Acquisition Transaction of an Asset to a third party where Vornado substantially contributed to the consummation of such sale, assignment, lease or other disposition of an Asset or Acquisition Transaction during the term of this Retention Agreement, or with whom Owner signed a letter of intent for such transaction during the term of this Retention Agreement and, in any such event, the contract signing or closing takes place within six (6) months after such expiration, then Vornado shall be entitled to a fee in accordance with the terms of this Retention Agreement. Within thirty (30) days after the termination or expiration of this Retention Agreement, Vornado will furnish Owner with a list of the parties with whom a transaction with respect to the Assets would, in Vornado's view, give rise to a claim for a fee by Vornado under this paragraph. The receipt of such a list by Owner shall not be construed as consent by Owner to the names contained thereon.

2. Vornado's rights to fees from the future potential exercise by a tenant of option(s) or right(s) of first refusal, to renew, to extend the lease, and/or to occupy additional space, shall survive this Retention Agreement.

F. Owner Responsibilities: Owner shall inform Vornado in writing immediately after Owner shall become aware, after the execution and delivery of this Retention Agreement, of any known or suspected risk of environmental hazard or contamination or of the receipt by Owner of a citation for the violation of any federal, state or local environmental law or regulation. Owner shall have the continuing obligation to advise Vornado in writing as soon as it becomes aware of any inaccuracy, inconsistency, incompleteness or change of circumstances and to correct any environmental report with respect to the Assets. Owner will use its best efforts to deliver to Vornado all environmental reports in its possession. Additionally, Owner will provide, promptly upon receipt thereof, a copy of any environmental reports prepared after the date hereof to Vornado and will authorize Vornado to disseminate such report to prospects. Vornado shall be the only entity entitled to rely on the covenants contained in this paragraph. Any damages for a breach or violation of the covenants contained in this paragraph shall be limited to Vornado's out-of-pocket expenses incurred in reliance on the covenants contained in this paragraph less any fees earned from the transaction related to the expenditure of such expenses.

G. General Provisions:

1. Vornado hereby indemnifies Owner for all costs, expenses, damages, losses, obligations and liabilities that may arise from the claim by a third party with whom Vornado dealt in connection with the disposition of any Asset that such third party is entitled to a fee, broker's commission or any other payment arising from the disposition of such Asset. The indemnity provided for in this paragraph shall be limited to the fees earned by Vornado from the disposition of the Asset or Assets giving rise to the claim.

2. The parties hereto, on behalf of themselves and their respective officers, directors, agents and employees, agree to deal with each other fairly and in good faith so as to allow each party to perform its services and obligations and to receive the anticipated benefits of this Retention Agreement. No party shall interfere, prevent or prohibit another party from carrying out its duties and obligations under this Retention Agreement.

3. By executing or otherwise accepting this Retention Agreement, the parties hereto each acknowledge and represent that they are represented by and have consulted with legal counsel with respect to the terms and conditions contained herein.

4. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS RETENTION AGREEMENT.

5. This Retention Agreement may be executed in original counterparts.

Schedule A

Schedule of Assets

Real Estate Retention Agreement

“REGO PARK PROPERTY”

ADDRESS: Junction Boulevard

Rego Park, New York

“REGO PARK II”

TAX MAP DESIGNATION:

BLOCK: 2080 LOT: 101

CITY: New York COUNTY: Queens STATE: New York]

Schedule B

Lease dated March 22, 2005 between Owner, as landlord, and Century Rego Realty LLC, as tenant.

Lease dated December 6, 2006 between Owner, as landlord, and Home Depot U.S.A., Inc., as tenant.

Lease dated June 12, 2006 between Owner, as landlord, and Kohl's Department Stores, Inc., as tenant.

CERTIFICATION**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(Subsection (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Alexander's, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that :

The Annual Report on Form 10-K for year ended December 31, 2007 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 25, 2008

/s/ Joseph Macnow
Name: Joseph Macnow
Title: Chief Financial Officer