UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark one)

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

For the quarterly period ended: **June 30, 2019**

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: **001-06064**

ALEXANDERS INC
(Exact name of registrant as specified in its charter)

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1 par value per share	ALX	New York Stock Exchange

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

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

☑ Large Accelerated Filer	☐ Accelerated Filer
☐ Non-Accelerated Filer	☐ Smaller Reporting Company
	☐ Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

As of July 26, 2019, there were 5,107,290 shares of common stock, par value $1 per share, outstanding.

ALEXANDER'S, INC.
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PART I. FINANCIAL INFORMATION
Item 1. ***Financial Statements***

ALEXANDER'S, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Amounts in thousands, except share and per share amounts)

ASSETS	June 30, 2019	December 31, 2018
Real estate, at cost:		
Land	$ 44,971	$ 44,971
Buildings and leasehold improvements	980,956	978,474
Development and construction in progress	8,556	4,246
Total	1,034,483	1,027,691
Accumulated depreciation and amortization	(311,036)	(297,421)
Real estate, net	723,447	730,270
Cash and cash equivalents	283,948	283,056
Restricted cash	5,374	6,439
Marketable securities	17,926	23,166
Tenant and other receivables	4,727	4,075
Receivable arising from the straight-lining of rents	167,476	168,789
Deferred leasing costs, net, including unamortized leasing fees to Vornado of $32,046 and $31,039, respectively	41,239	40,669
Other assets	32,334	29,085
	$ 1,276,471	$ 1,285,549
LIABILITIES AND EQUITY		
Mortgages payable, net of deferred debt issuance costs	$ 968,386	$ 965,826
Amounts due to Vornado	3,416	708
Accounts payable and accrued expenses	27,899	30,889
Other liabilities	8,160	3,034
Total liabilities	1,007,861	1,000,457
Commitments and contingencies		
Preferred stock: $1.00 par value per share; authorized, 3,000,000 shares; issued and outstanding, none	—	—
Common stock: $1.00 par value per share; authorized, 10,000,000 shares; issued, 5,173,450 shares; outstanding, 5,107,290 shares	5,173	5,173
Additional capital	32,365	31,971
Retained earnings	231,535	248,443
Accumulated other comprehensive loss	(95)	(127)
	268,978	285,460
Treasury stock: 66,160 shares, at cost	(368)	(368)
Total equity	268,610	285,092
	$ 1,276,471	$ 1,285,549

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
REVENUES				
Rental revenues	$ 55,932	$ 58,253	$ 112,710	$ 116,133
EXPENSES				
Operating, including fees to Vornado of $1,371, $1,109, $2,620 and $2,275, respectively	(21,667)	(21,511)	(43,516)	(43,788)
Depreciation and amortization	(7,869)	(8,700)	(15,697)	(16,983)
General and administrative, including management fees to Vornado of $595 and $1,190 in each three and six month period, respectively	(1,893)	(1,690)	(3,138)	(2,952)
Total expenses	(31,429)	(31,901)	(62,351)	(63,723)
Interest and other income, net	2,223	1,730	4,353	4,768
Interest and debt expense	(10,165)	(10,945)	(20,324)	(20,774)
Change in fair value of marketable securities	(5,278)	433	(5,240)	(4,737)
Income from continuing operations	11,283	17,570	29,148	31,667
Loss from discontinued operations (see Note 7)	—	—	—	(23,797)
Net income	$ 11,283	$ 17,570	$ 29,148	$ 7,870
Income per common share – basic and diluted:				
Income from continuing operations	$ 2.20	$ 3.43	$ 5.70	$ 6.19
Loss from discontinued operations (see Note 7)	—	—	—	(4.65)
Net income per common share	$ 2.20	$ 3.43	$ 5.70	$ 1.54
Weighted average shares outstanding	5,118,030	5,116,657	5,117,690	5,116,321

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net income	$ 11,283	$ 17,570	$ 29,148	$ 7,870
Other comprehensive income (loss):				
Change in fair value of interest rate cap	19	(52)	32	(4)
Comprehensive income	$ 11,302	$ 17,518	$ 29,180	$ 7,866

See notes to consolidated financial statements (unaudited).

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

	Common Stock		Additional Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Equity
	Shares	Amount					
Three Months Ended June 30, 2019							
Balance, March 31, 2019	5,173	$ 5,173	$ 31,971	$ 243,280	$ (114)	$ (368)	$ 279,942
Net income	—	—	—	11,283	—	—	11,283
Dividends paid ($4.50 per common share)	—	—	—	(23,028)	—	—	(23,028)
Change in fair value of interest rate cap	—	—	—	—	19	—	19
Deferred stock unit grants	—	—	394	—	—	—	394
Balance, June 30, 2019	5,173	$ 5,173	$ 32,365	$ 231,535	$ (95)	$ (368)	$ 268,610
Three Months Ended June 30, 2018							
Balance, March 31, 2018	5,173	$ 5,173	$ 31,577	$ 274,977	$ (78)	$ (368)	$ 311,281
Net income	—	—	—	17,570	—	—	17,570
Dividends paid ($4.50 per common share)	—	—	—	(23,022)	—	—	(23,022)
Change in fair value of interest rate cap	—	—	—	—	(52)	—	(52)
Deferred stock unit grants	—	—	394	—	—	—	394
Balance, June 30, 2018	5,173	$ 5,173	$ 31,971	$ 269,525	$ (130)	$ (368)	$ 306,171

	Common Stock		Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares	Amount					
Six Months Ended June 30, 2019							
Balance, December 31, 2018	5,173	$ 5,173	$ 31,971	$ 248,443	$ (127)	$ (368)	$ 285,092
Net income	—	—	—	29,148	—	—	29,148
Dividends paid ($9.00 per common share)	—	—	—	(46,056)	—	—	(46,056)
Change in fair value of interest rate cap	—	—	—	—	32	—	32
Deferred stock unit grants	—	—	394	—	—	—	394
Balance, June 30, 2019	5,173	$ 5,173	$ 32,365	$ 231,535	$ (95)	$ (368)	$ 268,610
Six Months Ended June 30, 2018							
Balance, December 31, 2017	5,173	$ 5,173	$ 31,577	$ 302,543	$ 5,030	$ (368)	$ 343,955
Net income	—	—	—	7,870	—	—	7,870
Dividends paid ($9.00 per common share)	—	—	—	(46,044)	—	—	(46,044)
Cumulative effect of change in accounting principle	—	—	—	5,156	(5,156)	—	—
Change in fair value of interest rate cap	—	—	—	—	(4)	—	(4)
Deferred stock unit grants			394				394
Balance, June 30, 2018	5,173	$ 5,173	$ 31,971	$ 269,525	$ (130)	$ (368)	$ 306,171

See notes to consolidated financial statements (unaudited).

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

	Six Months Ended June 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	**2019**	**2018**
Net income	$ 29,148	$ 7,870
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including amortization of debt issuance costs	18,278	19,740
Straight-lining of rental income	1,313	2,038
Stock-based compensation	394	394
Change in fair value of marketable securities	5,240	4,737
Changes in operating assets and liabilities:		
Tenant and other receivables, net	(652)	(329)
Other assets	(2,054)	(8,785)
Amounts due to Vornado	2,679	(2,064)
Accounts payable and accrued expenses	(3,246)	(382)
Other liabilities	(302)	10,246
Net cash provided by operating activities	50,798	33,465
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress and real estate additions	(4,901)	(1,789)
Repayment of Rego Park II loan participation	—	1,519
Net cash used in investing activities	(4,901)	(270)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(46,056)	(46,044)
Debt issuance costs	(14)	(141)
Debt repayments	—	(158,452)
Proceeds from borrowing	—	78,246
Net cash used in financing activities	(46,070)	(126,391)
Net decrease in cash and cash equivalents and restricted cash	(173)	(93,196)
Cash and cash equivalents and restricted cash at beginning of period	289,495	393,279
Cash and cash equivalents and restricted cash at end of period	$ 289,322	$ 300,083
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at beginning of period	$ 283,056	$ 307,536
Restricted cash at beginning of period	6,439	85,743
Cash and cash equivalents and restricted cash at beginning of period	$ 289,495	$ 393,279
Cash and cash equivalents at end of period	$ 283,948	$ 293,840
Restricted cash at end of period	5,374	6,243
Cash and cash equivalents and restricted cash at end of period	$ 289,322	$ 300,083
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	$ 18,107	$ 17,782
NON-CASH TRANSACTIONS		
Lease liability arising from the recognition of right-of-use asset	$ 5,428	$ —
Reclassification of prepaid real estate taxes to construction in progress for property in redevelopment	1,466	—
Liability for real estate additions, including $29 for development fees due to Vornado in each period	791	209
Write-off of fully amortized and/or depreciated assets	—	13,742

See notes to consolidated financial statements (unaudited).

1. Organization

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

2. Basis of Presentation

The accompanying consolidated financial statements are unaudited and include the accounts of Alexander's and its consolidated subsidiaries. All intercompany amounts have been eliminated. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. These condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission (the "SEC") and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC.

We have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of the operating results for the full year.

Subsequent to the issuance of our consolidated financial statements for the year ended December 31, 2018, we determined that the $195,708,000 participation in our Rego Park II shopping center mortgage loan was incorrectly classified as an asset, presented as "Rego Park II loan participation," instead of as a reduction to "mortgages payable, net of deferred debt issuance costs" on our consolidated balance sheet as of December 31, 2018. On December 12, 2018, we refinanced this mortgage loan and the interest rate on the existing loan participation was adjusted to equal the interest rate on the refinanced loan. Consequently, we should have considered $195,708,000 of the Rego Park II shopping center mortgage loan liability extinguished as the participation interest is considered the reacquisition of our debt. Accordingly, our consolidated balance sheet for the year ended December 31, 2018 has been restated to reclassify $195,708,000 from "Rego Park II loan participation" to "mortgages payable, net of deferred debt issuance costs." This reclassification had no impact to our consolidated statements of income, comprehensive income or changes in equity for the three and six months ending June 30, 2018 or our consolidated statement of cash flows for the six months ending June 30, 2018.

Certain prior year balances have been reclassified in order to conform to the current period presentation. For the three and six months ended June 30, 2018, "property rentals" of $38,618,000 and $76,859,000, respectively, and "expense reimbursements" of $19,635,000 and $39,274,000, respectively, were grouped into "rental revenues" on our consolidated statement of income in accordance with Accounting Standards Codification ("ASC") Topic 205 *Presentation of Financial Statements*.

We operate in one reportable segment.

3. Recently Issued Accounting Literature

In February 2016, the Financial Accounting Standards Board ("FASB") issued an update ("ASU 2016-02") establishing ASC Topic 842, *Leases* ("ASC 842"), as amended by subsequent ASUs on the topic, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to apply a two-method approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase. Lessees are required to record a right-of-use asset and a lease liability equal to the present value of future minimum lease payments, less adjustments to the right-of-use asset for accrued rent expense, initial direct costs and prepaid lease payments for all leases with a term greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to the previously existing guidance for operating leases. Lessees will recognize expense based on the effective interest method for finance leases or on a straight-line basis for operating leases. The accounting applied by the lessor is largely unchanged from that applied under ASC Topic 840, *Leases* ("ASC 840"). We adopted this standard effective January 1, 2019 using the modified retrospective approach. In transitioning to ASC 842, we elected to use the practical expedient package available to us and did not elect to use hindsight. These elections have been applied consistently to all of our leases. On January 1, 2019, for our Flushing property ground lease, which is classified as an operating lease, we recorded a right-of-use asset of $5,058,000 (included in "other assets") and a lease liability of $5,428,000 (included in "other liabilities") (see Note 12 - *Leases*).

3. Recently Issued Accounting Literature - continued

In August 2018, the FASB issued an update ("ASU 2018-13") *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* to ASC Topic 820, *Fair Value Measurement* ("ASC 820"). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, and/or adding certain disclosures. ASU 2018-13 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2019. We elected to early adopt ASU 2018-13 effective January 1, 2019. The adoption of this update did not have a material impact on our consolidated financial statements and disclosures.

In October 2018, the FASB issued an update ("ASU 2018-16") *Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes* to ASC Topic 815, *Derivatives and Hedging*. ASU 2018-16 expands the list of U.S. benchmark interest rates permitted in the application of hedge accounting by adding the OIS rate based on SOFR as an eligible benchmark interest rate. ASU 2018-16 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2018. We adopted this update effective January 1, 2019. The adoption of this update did not have a material impact on our consolidated financial statements.

4. Revenue Recognition

Our rental revenues include revenues from the leasing of space to tenants at our properties and revenues from parking and tenant services. We have the following revenue recognition policies:

- Lease revenues from the leasing of space to tenants at our properties. Revenues derived from base rent are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements. We commence rental revenue recognition when the underlying asset is available for use by the lessee. 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. Revenues derived from the reimbursement of real estate taxes, insurance expenses and common area maintenance expenses are generally recognized in the same period as the related expenses are incurred. As lessor, we have elected to combine the lease components (base and variable rent), non-lease components (reimbursements of common area maintenance expenses) and reimbursement of real estate taxes and insurance expenses from our operating lease agreements and account for the components as a single lease component in accordance with ASC 842.

- Parking revenue arising from the rental of parking spaces at our properties. This income is recognized as the services are transferred in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606").

- Tenant services is revenue arising from sub-metered electric, elevator and other services provided to tenants at their request. This revenue is recognized as the services are transferred in accordance with ASC 606.

The following is a summary of revenue sources for the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands)	2019	2018	2019	2018
Lease revenues	$ 53,834	$ 55,906	$ 108,330	$ 111,520
Parking revenue	1,361	1,408	2,856	2,715
Tenant services	737	939	1,524	1,898
Rental revenues	$ 55,932	$ 58,253	$ 112,710	$ 116,133

The components of lease revenues for the three and six months ended June 30, 2019 are as follows:

(Amounts in thousands)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Fixed lease revenues	$ 35,903	$ 71,632
Variable lease revenues	17,931	36,698
Lease revenues	$ 53,834	$ 108,330

5. Related Party Transactions

Vornado

As of June 30, 2019, Vornado owned 32.4% of our outstanding common stock. We are managed by, and our properties are leased and developed by, Vornado, pursuant to the agreements described below, which expire in March of each year and are automatically renewable.

Management and Development Agreements

We pay Vornado an annual management fee equal to the sum of (i) $2,800,000, (ii) 2% of gross revenue from the Rego Park II shopping center, (iii) $0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue and (iv) $324,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue. Vornado is also entitled to a development fee equal to 6% of development costs, as defined.

Leasing and Other 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.

We also have agreements with Building Maintenance Services, a wholly owned subsidiary of Vornado, to supervise (i) cleaning, engineering and security services at our 731 Lexington Avenue property and (ii) security services at our Rego Park I and Rego Park II properties and The Alexander apartment tower.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands)	2019	2018	2019	2018
Company management fees	$ 700	$ 700	$ 1,400	$ 1,400
Development fees	5	2	29	9
Leasing fees	2,017	—	2,746	—
Property management, cleaning, engineering and security fees	1,297	939	2,444	1,965
	$ 4,019	$ 1,641	$ 6,619	$ 3,374

As of June 30, 2019, the amounts due to Vornado were $2,448,000 for leasing fees; $793,000 for management, property management, cleaning, engineering and security fees; and $175,000 for development fees. As of December 31, 2018, the amounts due to Vornado were $549,000 for management, property management, cleaning, engineering and security fees; $146,000 for development fees; and $13,000 for leasing fees.

Toys “R” Us, Inc. (“Toys”)

Our affiliate, Vornado, owned 32.5% of Toys as of December 31, 2018. On February 1, 2019, in connection with the Toys Chapter 11 bankruptcy, the plan of reorganization for Toys was declared effective and Vornado’s ownership in Toys was canceled and Toys’ Board of Directors was dissolved. Joseph Macnow, Vornado’s Executive Vice President and Chief Financial Officer and Wendy A. Silverstein, a member of our Board of Directors, represented Vornado as members of Toys’ Board of Directors. Also in connection with the Toys Chapter 11 bankruptcy, Toys rejected its 47,000 square foot lease at our Rego Park II shopping center ($2,600,000 of annual revenue) effective June 30, 2018 and possession of the space was returned to us.

6. Marketable Securities

As of June 30, 2019 and December 31, 2018, we owned 535,265 common shares of The Macerich Company ("Macerich") (NYSE: MAC). These shares have an economic cost of $56.05 per share, or $30,000,000 in the aggregate. As of June 30, 2019 and December 31, 2018, the fair value of these shares was $17,926,000 and $23,166,000, respectively, based on Macerich's closing share price of $33.49 per share and $43.28 per share, respectively. These shares are included in "marketable securities" on our consolidated balance sheets and are classified as available-for-sale. Available-for-sale securities are presented at fair value on our consolidated balance sheets and gains and losses resulting from the mark-to-market of these securities are recognized in current period earnings.

7. Discontinued Operations

In 2012, we sold the Kings Plaza Regional Shopping Center ("Kings Plaza") and paid real property transfer taxes to New York City in connection with the sale. In 2015, the New York City Department of Finance ("NYC DOF") issued a Notice of Determination to us assessing an additional New York City real property transfer tax amount, including interest.

In 2014, in a case with similar facts, the NYC DOF issued a Notice of Determination to a Vornado joint venture assessing an additional New York City real property transfer tax amount, including interest. In January 2017, a New York City administrative law judge made a determination upholding the Vornado joint venture's position that such additional real property transfer taxes were not due. On February 16, 2018, the New York City Tax Appeals Tribunal (the "Tribunal") overturned the January 2017 determination. The Vornado joint venture appealed the Tribunal's decision to the Appellate Division of the Supreme Court of the State of New York and on April 25, 2019, the Tribunal's decision was unanimously upheld. On June 20, 2019, the Vornado joint venture filed a motion to reargue the Appellate Division's decision with the appellate court.

Based on the precedent of the Tribunal's decision, we accrued an expense for the potential additional real property transfer taxes of $23,797,000 ($15,874,000 of real property transfer tax and $7,923,000 of interest) during the three months ended March 31, 2018. On April 5, 2018, we paid this amount in order to stop the interest from accruing.

As the results related to Kings Plaza were previously classified as discontinued operations, we have classified the expense as "loss from discontinued operations" on our consolidated statement of income for the six months ended June 30, 2018 in accordance with the provisions of ASC Topic 360, *Property, Plant and Equipment*.

8. Significant Tenant

Bloomberg L.P. ("Bloomberg") accounted for revenue of $53,676,000 and $52,672,000 for the six months ended June 30, 2019 and 2018, respectively, representing approximately 48% and 45% of our total revenues in each period, respectively. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition. In order to assist us in our continuing assessment of Bloomberg's creditworthiness, we receive certain confidential financial information and metrics from Bloomberg. In addition, we access and evaluate financial information regarding Bloomberg from other private sources, as well as publicly available data.

On June 28, 2019, we entered into a lease agreement with Bloomberg for an additional 49,000 square feet at our 731 Lexington Avenue property.

9. Mortgages Payable

The following is a summary of our outstanding mortgages payable as of June 30, 2019 and December 31, 2018. We may refinance our maturing debt as it comes due or choose to repay it.

(Amounts in thousands)	Maturity	Interest Rate at June 30, 2019	Balance at June 30, 2019	Balance at December 31, 2018
First mortgages secured by:				
Paramus	Oct. 2021	4.72%	$ 68,000	$ 68,000
731 Lexington Avenue, retail condominium[1]	Aug. 2022	3.83%	350,000	350,000
731 Lexington Avenue, office condominium[2]	Jun. 2024	3.29%	500,000	500,000
Rego Park II shopping center[3]	Dec. 2025	3.75%	56,836	56,836
Total			974,836	974,836
Deferred debt issuance costs, net of accumulated amortization of $11,786 and $9,212, respectively			(6,450)	(9,010)
			$ 968,386	$ 965,826

(1) Interest at LIBOR plus 1.40%. Maturity date represents the extended maturity based on our conditional right to extend.
(2) Interest at LIBOR plus 0.90%. Maturity date represents the extended maturity based on our unilateral right to extend.
(3) Interest at LIBOR plus 1.35%. The amount of this loan is net of our $195,708 loan participation (see Note 2 - *Basis of Presentation*).

10. Stock-Based Compensation

We account for stock-based compensation in accordance with ASC Topic 718, *Compensation – Stock Compensation*. Our 2016 Omnibus Stock Plan (the "Plan") provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights, deferred stock units ("DSUs") and performance shares, as defined, to the directors, officers and employees of the Company and Vornado.

In May 2019, we granted each of the members of our Board of Directors 193 DSUs with a grant date fair value of $56,250 per grant, or $394,000 in the aggregate. The DSUs entitle the holders to receive shares of the Company's common stock without the payment of any consideration. The DSUs vested immediately and accordingly, were expensed on the date of grant, but the shares of common stock underlying the DSUs are not deliverable to the grantee until the grantee is no longer serving on the Company's Board of Directors. As of June 30, 2019, there were 11,408 DSUs outstanding and 494,379 shares were available for future grant under the Plan.

11. Fair Value Measurements

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

Financial Assets and Liabilities Measured at Fair Value

Financial assets measured at fair value on our consolidated balance sheets as of June 30, 2019 and December 31, 2018, consist of marketable securities, which are presented in the table below based on their level in the fair value hierarchy, and an interest rate cap, which fair value was insignificant as of June 30, 2019 and December 31, 2018. There were no financial liabilities measured at fair value as of June 30, 2019 and December 31, 2018.

	As of June 30, 2019			
(Amounts in thousands)	Total	Level 1	Level 2	Level 3
Marketable securities	$ 17,926	$ 17,926	$ —	$ —

	As of December 31, 2018			
(Amounts in thousands)	Total	Level 1	Level 2	Level 3
Marketable securities	$ 23,166	$ 23,166	$ —	$ —

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash equivalents and mortgages payable. Cash equivalents are carried at cost, which approximates fair value due to their short-term maturities and are classified as Level 1. The fair value of our mortgages payable is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist, and is classified as Level 2. The table below summarizes the carrying amounts and fair values of these financial instruments as of June 30, 2019 and December 31, 2018.

	As of June 30, 2019		As of December 31, 2018	
(Amounts in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash equivalents	$ 248,850	$ 248,850	$ 173,858	$ 173,858
Liabilities:				
Mortgages payable (excluding deferred debt issuance costs, net)	$ 974,836	$ 972,000	$ 974,836	$ 969,000

12. Leases

As Lessor

We lease space to tenants under operating leases in an office building and in retail centers. The rental terms range from approximately 5 to 25 years. The leases provide for the payment of fixed base rents payable monthly in advance as well as reimbursements of real estate taxes, insurance and maintenance costs. Retail leases may also provide for the payment by the lessee of additional rents based on a percentage of their sales. We also lease residential space at The Alexander apartment tower with 1 or 2 year lease terms. We have elected to account for lease revenues (including fixed and variable rent) and the reimbursement of common area maintenance expenses as a single lease component presented as "rental revenues" in our consolidated statements of income.

Future undiscounted cash flows under our non-cancelable operating leases are as follows:

	Under ASC 842
(Amounts in thousands)	As of June 30, 2019
For the remainder of 2019	$ 69,688
For the year ending December 31,	
2020	135,749
2021	126,736
2022	119,393
2023	120,756
2024	128,928
Thereafter	586,226

	Under ASC 840
(Amounts in thousands)	As of December 31, 2018
For the year ending December 31,	
2019	$ 138,784
2020	131,647
2021	120,450
2022	111,532
2023	111,962
Thereafter	671,111

These amounts do not include reimbursements or additional rents based on a percentage of retail tenants' sales.

12. Leases - continued

As Lessee

We are the lessee under a ground lease at our Flushing property, classified as an operating lease, which expires in 2027 and has one 10-year extension option. On January 1, 2019, we recorded a right-of-use asset and lease liability related to this ground lease equal to the present value of the remaining minimum lease payments. As of June 30, 2019, the right-of-use asset of $4,796,000 and the lease liability of $5,139,000, are included in "other assets" and "other liabilities," respectively, on our consolidated balance sheet. The discount rate applied to measure the right-of-use asset and lease liability is based on the incremental borrowing rate ("IBR") for the property of 4.20%. We initially consider the general economic environment and factor in various financing and asset specific adjustments so that the IBR is appropriate to the intended use of the underlying lease. As we did not elect to apply hindsight, the lease term assumption determined under ASC 840 was carried forward and applied in calculating our lease liability recorded under ASC 842.

Future lease payments under this operating lease, excluding the extension option, are as follows:

	Under ASC 842	
(Amounts in thousands)	As of June 30, 2019	
For the remainder of 2019	$	400
For the year ending December 31,		
2020		800
2021		800
2022		800
2023		800
2024		800
Thereafter		1,600
Total undiscounted cash flows		6,000
Present value discount		(861)
Lease liability as of June 30, 2019	$	5,139

	Under ASC 840	
(Amounts in thousands)	As of December 31, 2018	
For the year ending December 31,		
2019	$	800
2020		800
2021		800
2022		800
2023		800
Thereafter		2,467

We recognize rent expense as a component of "operating" expenses on our consolidated statements of income on a straight-line basis. Rent expense was $187,000 and $373,000 in each three and six month period ended June 30, 2019 and 2018, respectively. Cash paid for rent expense was $200,000 and $400,000 in each three and six month period ended June 30, 2019 and 2018, respectively.

13. Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of $300,000,000 per occurrence and per property, and all-risk property and rental value insurance coverage with limits of $1.7 billion per occurrence, including coverage for acts of terrorism, with sub-limits for certain perils such as floods and earthquakes on each of our properties.

Fifty Ninth Street Insurance Company, LLC ("FNSIC"), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ("NBCR") acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2020. Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a $323,000 deductible and 19% of the balance of a covered loss, and the Federal government is responsible for the remaining 81% of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism or other events. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future. We are responsible for uninsured losses and for deductibles and losses in excess of our insurance coverage, which could be material.

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

Paramus

In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a purchase option in 2021 for $75,000,000. The property is encumbered by a $68,000,000 interest-only mortgage loan, with a fixed rate of 4.72%, which matures in October 2021. The annual triple-net rent is the sum of $700,000 plus the amount of interest on the mortgage loan. If the purchase option is exercised, we will receive net cash proceeds of approximately $7,000,000 and recognize a gain on sale of land of approximately $60,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years would include debt service sufficient to fully amortize $68,000,000 over the remaining 20-year lease term.

Rego Park I Litigation

In June 2014, Sears Roebuck and Co. ("Sears") filed a lawsuit in the Supreme Court of the State of New York against Vornado and us (and certain of our subsidiaries) with regard to the 195,000 square foot store that Sears leased at our Rego Park I property alleging that the defendants are liable for harm that Sears has suffered as a result of (a) water intrusions into the premises, (b) two fires in February 2014 that caused damages to those premises, and (c) alleged violations of the Americans with Disabilities Act in the premises' parking garage. Sears asserted various causes of actions for damages and sought to compel compliance with landlord's obligations to repair the premises and to provide security, and to compel us to abate a nuisance that Sears claims was a cause of the water intrusions into its premises. In addition to injunctive relief, Sears sought, among other things, damages of not less than $4,000,000 and future damages it estimated would not be less than $25,000,000. In March 2016, Sears withdrew its claim for future damages leaving a remaining claim for property damages, which we estimate to be approximately $650,000 based on information provided by Sears. We intend to defend the remaining claim vigorously. The amount or range of reasonably possible losses, if any, is not expected to be greater than $650,000.

On April 4, 2017, Sears closed its store at Rego Park I ($10,300,000 of annual revenue). On October 15, 2018, Sears filed for Chapter 11 bankruptcy relief and rejected its lease resulting in an automatic stay of this case.

13. Commitments and Contingencies - continued

Tenant Matter

On April 13, 2019, Kohl's closed its 133,000 square foot store at our Rego Park II shopping center. Kohl's plans to sublease its store and remains obligated to us under its lease which expires in January 2031.

Letters of Credit

Approximately $1,030,000 of standby letters of credit were issued and outstanding as of June 30, 2019.

Other

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

14. Earnings Per Share

The following table sets forth the computation of basic and diluted income per share. Basic income per share is determined using the weighted average shares of common stock outstanding during the period. Diluted income 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. There were no potentially dilutive securities outstanding during the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except share and per share amounts)	2019	2018	2019	2018
Income from continuing operations	$ 11,283	$ 17,570	$ 29,148	$ 31,667
Loss from discontinued operations (see Note 7)	—	—	—	(23,797)
Net income	$ 11,283	$ 17,570	$ 29,148	$ 7,870
Weighted average shares outstanding – basic and diluted	5,118,030	5,116,657	5,117,690	5,116,321
Income from continuing operations	$ 2.20	$ 3.43	$ 5.70	$ 6.19
Loss from discontinued operations (see Note 7)	—	—	—	(4.65)
Net income per common share – basic and diluted	$ 2.20	$ 3.43	$ 5.70	$ 1.54

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Alexander’s, Inc.

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated balance sheet of Alexander’s, Inc. and subsidiaries (the “Company”) as of June 30, 2019, the related consolidated statements of income, comprehensive income and changes in equity for the three-month and six-month periods ended June 30, 2019 and 2018, and cash flows for the six-month periods ended June 30, 2019 and 2018, and the related notes (collectively referred to as the “interim financial information”). Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended (not presented herein); and in our report dated February 11, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey July 29, 2019

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

Certain statements contained in this Quarterly Report constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Our future results, financial condition, results of operations and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans," "would," "may" or other similar expressions in this Quarterly Report on Form 10-Q. These forward-looking statements represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. For a further discussion of factors that could materially affect the outcome of our forward-looking statements, see "Item 1A – Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly, any revisions to our forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

Management's Discussion and Analysis of Financial Condition and Results of Operations include a discussion of our consolidated financial statements for the three and six months ended June 30, 2019 and 2018. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of the operating results for the full year.

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2018 in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 2 – Summary of Significant Accounting Policies" to the consolidated financial statements included therein. For the six months ended June 30, 2019, there were no material changes to these policies, other than the adoption of Accounting Standards Update 2016-02, described in "Part I - Financial Information, Item 1 - Financial Statements, Note 3 - Recently Issued Accounting Literature" of this Quarterly Report on Form 10-Q.

Overview

Alexander’s, Inc. (NYSE: ALX) is a real estate investment trust (“REIT”), incorporated in Delaware, engaged in leasing, managing, developing and redeveloping its properties. All references to “we,” “us,” “our,” “Company” and “Alexander’s” refer to Alexander’s, Inc. and its consolidated subsidiaries. We are managed by, and our properties are leased and developed by, Vornado Realty Trust (“Vornado”) (NYSE: VNO). We have seven properties in the greater New York City metropolitan area.

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

Quarter Ended June 30, 2019 Financial Results Summary

Net income for the quarter ended June 30, 2019 was $11,283,000, or $2.20 per diluted share, compared to $17,570,000, or $3.43 per diluted share in the prior year’s quarter.

Funds from operations (“FFO”) (non-GAAP) for the quarter ended June 30, 2019 was $24,305,000, or $4.75 per diluted share, compared to $25,705,000 or $5.02 per diluted share in the prior year’s quarter.

Six Months Ended June 30, 2019 Financial Results Summary

Net income for the six months ended June 30, 2019 was $29,148,000, or $5.70 per diluted share, compared to $7,870,000, or $1.54 per diluted share in the prior year’s six months. Net income for the six months ended June 30, 2018 included $23,797,000, or $4.65 per diluted share, of expense for potential additional New York City real property transfer taxes on the 2012 sale of Kings Plaza Regional Shopping Center (“Kings Plaza”).

FFO (non-GAAP) for the six months ended June 30, 2019 was $49,836,000, or $9.74 per diluted share, compared to $29,326,000, or $5.73 per diluted share in the prior year’s six months. FFO (non-GAAP) for the six months ended June 30, 2018 included $23,797,000, or $4.65 per diluted share, of expense for the Kings Plaza transfer taxes.

Square Footage, Occupancy and Leasing Activity

As of June 30, 2019, our portfolio was comprised of seven properties aggregating 2,449,000 square feet, of which 2,254,000 square feet was in service and 195,000 square feet was out of service due to redevelopment. The in service square feet was 97.3% occupied as of June 30, 2019.

Significant Tenant

Bloomberg L.P. (“Bloomberg”) accounted for revenue of $53,676,000 and $52,672,000 for the six months ended June 30, 2019 and 2018, respectively, representing approximately 48% and 45% of our total revenues in each period, respectively. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition. In order to assist us in our continuing assessment of Bloomberg’s creditworthiness, we receive certain confidential financial information and metrics from Bloomberg. In addition, we access and evaluate financial information regarding Bloomberg from other private sources, as well as publicly available data.

On June 28, 2019, we entered into a lease agreement with Bloomberg for an additional 49,000 square feet at our 731 Lexington Avenue property.

Results of Operations – Three Months Ended June 30, 2019, compared to June 30, 2018

Rental Revenues

Rental revenues were $55,932,000 in the quarter ended June 30, 2019, compared to $58,253,000 in the prior year's quarter, a decrease of $2,321,000. This decrease was primarily due to the Sears vacancy effective October 2018 at our Rego Park I property.

Operating Expenses

Operating expenses were $21,667,000 in the quarter ended June 30, 2019, compared to $21,511,000 in the prior year's quarter, an increase of $156,000.

Depreciation and Amortization

Depreciation and amortization was $7,869,000 in the quarter ended June 30, 2019, compared to $8,700,000 in the prior year's quarter, a decrease of $831,000. This decrease was primarily due to acceleration of depreciation and amortization in the prior year's quarter related to the Toys "R" Us ("Toys") lease termination at our Rego Park II property.

General and Administrative Expenses

General and administrative expenses were $1,893,000 in the quarter ended June 30, 2019, compared to $1,690,000 in the prior year's quarter, an increase of $203,000. This increase was primarily due to higher professional fees.

Interest and Other Income, net

Interest and other income, net was $2,223,000 in the quarter ended June 30, 2019, compared to $1,730,000 in the prior year's quarter, an increase of $493,000. This increase was primarily due to $1,600,000 of expense in the prior year's quarter from a litigation settlement and $331,000 of higher interest income due to an increase in average interest rates, partially offset by $1,445,000 of lower interest income due to a decrease in average investment balances.

Interest and Debt Expense

Interest and debt expense was $10,165,000 in the quarter ended June 30, 2019, compared to $10,945,000 in the prior year's quarter, a decrease of $780,000. This decrease was primarily due to $1,789,000 of lower interest expense from our Rego Park II shopping center loan (on December 12, 2018, we refinanced this $252,544,000 mortgage loan and GAAP required that our $195,708,000 loan participation be treated as an extinguishment of debt), partially offset by $1,040,000 of higher interest expense resulting from an increase in average interest rates.

Change in Fair Value of Marketable Securities

Change in fair value of marketable securities was an expense of $5,278,000 in the quarter ended June 30, 2019, resulting from The Macerich Company's ("Macerich") closing share prices of $33.49 and $43.35 as of June 30, 2019 and March 31, 2019, respectively, on 535,265 shares owned. Change in fair value of marketable securities was income of $433,000 in the prior year's quarter, resulting from Macerich's closing share prices of $56.83 and $56.02 as of June 30, 2018 and March 31, 2018, respectively, on 535,265 shares owned.

Results of Operations – Six Months Ended June 30, 2019, compared to June 30, 2018

Rental Revenues

Rental revenues were $112,710,000 in the six months ended June 30, 2019, compared to $116,133,000 in the prior year’s six months, a decrease of $3,423,000. This decrease was primarily due to the Sears vacancy effective October 2018 at our Rego Park I property and the Toys vacancy effective June 2018 at our Rego Park II property, partially offset by higher revenue from a new tenant at our 731 Lexington Avenue property.

Operating Expenses

Operating expenses were $43,516,000 in the six months ended June 30, 2019, compared to $43,788,000 in the prior year’s six months, a decrease of $272,000.

Depreciation and Amortization

Depreciation and amortization was $15,697,000 in the six months ended June 30, 2019, compared to $16,983,000 in the prior year’s six months, a decrease of $1,286,000. This decrease was primarily due to acceleration of depreciation and amortization in the prior year’s six months related to the Toys lease termination.

General and Administrative Expenses

General and administrative expenses were $3,138,000 in the six months ended June 30, 2019, compared to $2,952,000 in the prior year’s six months, an increase of $186,000. This increase was primarily due to higher professional fees.

Interest and Other Income, net

Interest and other income, net was $4,353,000 in the six months ended June 30, 2019, compared to $4,768,000 in the prior year’s six months, a decrease of $415,000. This decrease was primarily due to $3,054,000 of lower interest income due to a decrease in average investment balances, partially offset by $1,600,000 of expense in the prior year from a litigation settlement and $1,124,000 of higher interest income due to an increase in average interest rates.

Interest and Debt Expense

Interest and debt expense was $20,324,000 in the six months ended June 30, 2019, compared to $20,774,000 in the prior year’s six months, a decrease of $450,000. This decrease was primarily due to $3,585,000 of lower interest expense from our Rego Park II shopping center loan (on December 12, 2018, we refinanced this $252,544,000 mortgage loan and GAAP required that our $195,708,000 loan participation be treated as an extinguishment of debt), partially offset by $3,087,000 of higher interest expense resulting from an increase in average interest rates.

Change in Fair Value of Marketable Securities

Change in fair value of marketable securities was an expense of $5,240,000 in the six months ended June 30, 2019, resulting from Macerich’s closing share prices of $33.49 and $43.28 as of June 30, 2019 and December 31, 2018, respectively, on 535,265 shares owned. Change in fair value of marketable securities was an expense of $4,737,000 in the prior year’s six months, resulting from Macerich’s closing share prices of $56.83 and $65.68 as of June 30, 2018 and December 31, 2017, respectively, on 535,265 shares owned.

Loss from Discontinued Operations

Loss from discontinued operations was $23,797,000 in the six months ended June 30, 2018. The loss was due to an expense for potential additional real property transfer taxes from the 2012 sale of Kings Plaza. See “Part I - Financial Information, Item 1 - Financial Statements, Note 7 - Discontinued Operations.”

Liquidity and Capital Resources

Cash Flows

Property rental income is our primary source of cash flow and is dependent on a number of factors, including the occupancy level and rental rates of our properties, as well as our tenants' ability to pay their rents. Our properties provide us with a relatively consistent stream of cash flow that enables us to pay our operating expenses, interest expense, recurring capital expenditures and cash dividends to stockholders. Other sources of liquidity to fund cash requirements include our existing cash, proceeds from financings, including mortgage or construction loans secured by our properties and proceeds from asset sales. We anticipate that cash flows from continuing operations over the next twelve months, together with existing cash balances, will be adequate to fund our business operations, cash dividends to stockholders, debt amortization and capital expenditures. We may refinance our maturing debt as it comes due or choose to repay it.

Six Months Ended June 30, 2019

Cash and cash equivalents and restricted cash were $289,322,000 as of June 30, 2019, compared to $289,495,000 as of December 31, 2018, a decrease of $173,000. This decrease resulted from (i) $46,070,000 of net cash used in financing activities and (ii) $4,901,000 of net cash used in investing activities, partially offset by (iii) $50,798,000 of net cash provided by operating activities.

Net cash used in financing activities was primarily comprised of dividends paid of $46,056,000.

Net cash used in investing activities was comprised of construction in progress and real estate additions of $4,901,000.

Net cash provided by operating activities of $50,798,000 was comprised of (i) net income of $29,148,000 and (ii) adjustments for non-cash items of $25,225,000, partially offset by (iii) the net change in operating assets and liabilities of $3,575,000. The adjustments for non-cash items were comprised of (i) depreciation and amortization (including amortization of debt issuance costs) of $18,278,000, (ii) the change in fair value of marketable securities of $5,240,000, (iii) straight-lining of rental income of $1,313,000 and (iv) stock-based compensation expense of $394,000.

Six Months Ended June 30, 2018

Cash and cash equivalents and restricted cash were $300,083,000 as of June 30, 2018, compared to $393,279,000 as of December 31, 2017, a decrease of $93,196,000. This decrease resulted from (i) $126,391,000 of net cash used in financing activities and (ii) $270,000 of net cash used in investing activities, partially offset by (iii) $33,465,000 of net cash provided by operating activities.

Net cash used in financing activities of $126,391,000 was primarily comprised of debt repayments of $80,206,000 (primarily the refinancing and subsequent repayment of the mortgage loan on our Rego Park I shopping center) and dividends paid of $46,044,000.

Net cash used in investing activities of $270,000 was comprised of construction in progress and real estate additions of $1,789,000, partially offset by principal repayment proceeds from the Rego Park II loan participation of $1,519,000.

Net cash provided by operating activities of $33,465,000 was comprised of (i) net income of $7,870,000 and (ii) adjustments for non-cash items of $26,909,000, partially offset by (iii) the net change in operating assets and liabilities of $1,314,000. The adjustments for non-cash items were comprised of (i) depreciation and amortization (including amortization of debt issuance costs) of $19,740,000, (ii) the change in fair value of marketable securities of $4,737,000, (iii) straight-lining of rental income of $2,038,000 and (iv) stock-based compensation expense of $394,000.

Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of $300,000,000 per occurrence and per property, and all-risk property and rental value insurance coverage with limits of $1.7 billion per occurrence, including coverage for acts of terrorism, with sub-limits for certain perils such as floods and earthquakes on each of our properties.

Liquidity and Capital Resources - continued

Fifty Ninth Street Insurance Company, LLC ("FNSIC"), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ("NBCR") acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2020. Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a $323,000 deductible and 19% of the balance of a covered loss, and the Federal government is responsible for the remaining 81% of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism or other events. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future. We are responsible for uninsured losses and for deductibles and losses in excess of our insurance coverage, which could be material.

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

Paramus

In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a purchase option in 2021 for $75,000,000. The property is encumbered by a $68,000,000 interest-only mortgage loan, with a fixed rate of 4.72%, which matures in October 2021. The annual triple-net rent is the sum of $700,000 plus the amount of interest on the mortgage loan. If the purchase option is exercised, we will receive net cash proceeds of approximately $7,000,000 and recognize a gain on sale of land of approximately $60,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years would include debt service sufficient to fully amortize $68,000,000 over the remaining 20-year lease term.

Rego Park I Litigation

In June 2014, Sears Roebuck and Co. ("Sears") filed a lawsuit in the Supreme Court of the State of New York against Vornado and us (and certain of our subsidiaries) with regard to the 195,000 square foot store that Sears leased at our Rego Park I property alleging that the defendants are liable for harm that Sears has suffered as a result of (a) water intrusions into the premises, (b) two fires in February 2014 that caused damages to those premises, and (c) alleged violations of the Americans with Disabilities Act in the premises' parking garage. Sears asserted various causes of actions for damages and sought to compel compliance with landlord's obligations to repair the premises and to provide security, and to compel us to abate a nuisance that Sears claims was a cause of the water intrusions into its premises. In addition to injunctive relief, Sears sought, among other things, damages of not less than $4,000,000 and future damages it estimated would not be less than $25,000,000. In March 2016, Sears withdrew its claim for future damages leaving a remaining claim for property damages, which we estimate to be approximately $650,000 based on information provided by Sears. We intend to defend the remaining claim vigorously. The amount or range of reasonably possible losses, if any, is not expected to be greater than $650,000. On October 15, 2018, Sears filed for Chapter 11 bankruptcy relief and rejected its lease resulting in an automatic stay of this case.

Letters of Credit

Approximately $1,030,000 of standby letters of credit were issued and outstanding as of June 30, 2019.

Other

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

Funds from Operations ("FFO") (non-GAAP)

FFO is computed in accordance with the December 2018 restated definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gains from sales of depreciable real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets and other specified items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flow as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies. A reconciliation of our net income to FFO is provided below.

In accordance with the NAREIT December 2018 restated definition of FFO, we have elected to exclude the mark-to-market adjustments of marketable securities from the calculation of FFO. Our FFO for the three and six months ended June 30, 2018 has been adjusted to exclude $433,000, or $0.08 per diluted share, of income and $4,737,000, or $0.93 per diluted share, of expense, respectively, from the change in fair value of marketable securities previously reported.

FFO (non-GAAP) for the three and six months ended June 30, 2019 and 2018

FFO (non-GAAP) for the quarter ended June 30, 2019 was $24,305,000, or $4.75 per diluted share, compared to $25,705,000, or $5.02 per diluted share in the prior year's quarter.

FFO (non-GAAP) for the six months ended June 30, 2019 was $49,836,000, or $9.74 per diluted share, compared to $29,326,000, or $5.73 per diluted share in the prior year's six months. FFO (non-GAAP) for the six months ended June 30, 2018 included $23,797,000, or $4.65 per diluted share, of expense for potential additional New York City real property transfer taxes on the 2012 sale of Kings Plaza.

The following table reconciles our net income to FFO (non-GAAP):

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except share and per share amounts)	2019	2018	2019	2018
Net income	$ 11,283	$ 17,570	$ 29,148	$ 7,870
Depreciation and amortization of real property	7,744	8,568	15,448	16,719
Change in fair value of marketable securities	5,278	(433)	5,240	4,737
FFO (non-GAAP)	$ 24,305	$ 25,705	$ 49,836	$ 29,326
FFO per diluted share (non-GAAP)	$ 4.75	$ 5.02	$ 9.74	$ 5.73
Weighted average shares used in computing FFO per diluted share	5,118,030	5,116,657	5,117,690	5,116,321

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

	2019			2018	
(Amounts in thousands, except per share amounts)	**June 30, Balance**	**Weighted Average Interest Rate**	**Effect of 1% Change in Base Rates**	**December 31, Balance**	**Weighted Average Interest Rate**
Variable Rate	$ 906,836	3.53%	$ 9,068	$ 906,836	3.55%
Fixed Rate	68,000	4.72%	—	68,000	4.72%
	$ 974,836	3.61%	$ 9,068	$ 974,836	3.64%
Total effect on diluted earnings per share			$ 1.77		

As of June 30, 2019, we have an interest rate cap with a notional amount of $500,000,000 that caps LIBOR at a rate of 6.0%.

Fair Value of Debt

The fair value of our mortgages payable is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist. As of June 30, 2019 and December 31, 2018, the estimated fair value of our mortgages payable was $972,000,000 and $969,000,000, respectively. Our fair value estimates, which are made at the end of the reporting period, may be different from the amounts that may ultimately be realized upon the disposition of our financial instruments.

Item 4. Controls and Procedures

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

For a discussion of the litigation concerning our Rego Park I property, see “Part I – Financial Information, Item 1 – Financial Statements, Note 13 – Commitments and Contingencies.”

Item 1A. Risk Factors

There have been no material changes in our “Risk Factors” as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

EXHIBIT INDEX

Exhibit No.		
15.1	-	Letter regarding unaudited interim financial information
31.1	-	Rule 13a-14 (a) Certification of the Chief Executive Officer
31.2	-	Rule 13a-14 (a) Certification of the Chief Financial Officer
32.1	-	Section 1350 Certification of the Chief Executive Officer
32.2	-	Section 1350 Certification of the Chief Financial Officer
101.INS	-	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	-	XBRL Taxonomy Extension Schema Document
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	-	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

		ALEXANDER'S, INC.
		(Registrant)
Date: July 29, 2019	By:	/s/ Matthew Iocco
		Matthew Iocco
		Chief Financial Officer (duly authorized officer and principal financial and accounting officer)

EXHIBIT 15.1

July 29, 2019

Alexander’s, Inc.
210 Route 4 East
Paramus, New Jersey 07652

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Alexander’s, Inc. and subsidiaries for the periods ended June 30, 2019, and 2018, as indicated in our report dated July 29, 2019; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, is incorporated by reference in Registration Statement No. 333-212838 on Form S-8 and Registration Statement No. 333-224054 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

EXHIBIT 31.1

CERTIFICATION

I, Steven Roth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

July 29, 2019

/s/ Steven Roth

Steven Roth
Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Matthew Iocco, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

July 29, 2019

/s/ Matthew Iocco

Matthew Iocco
Chief Financial Officer

EXHIBIT 32.1

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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (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.

July 29, 2019		/s/ Steven Roth
	Name:	Steven Roth
	Title:	Chairman of the Board and Chief Executive Officer

EXHIBIT 32.2

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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (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.

July 29, 2019		/s/ Matthew Iocco
	Name:	Matthew Iocco
	Title:	Chief Financial Officer