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: **September 30, 2022**

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 September 30, 2022, 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)

	As of	
ASSETS	**September 30, 2022**	**December 31, 2021**
Real estate, at cost:		
Land	$ 33,050	$ 33,050
Buildings and leasehold improvements	1,025,740	1,014,525
Development and construction in progress	20,358	21,851
Total	1,079,148	1,069,426
Accumulated depreciation and amortization	(389,789)	(370,557)
Real estate, net	689,359	698,869
Cash and cash equivalents	264,872	463,539
Restricted cash	19,519	19,966
Investments in U.S. Treasury bills	197,904	—
Tenant and other receivables	5,354	6,385
Receivable arising from the straight-lining of rents	129,429	135,457
Deferred leasing costs, net, including unamortized leasing fees to Vornado of $22,989 and $23,943, respectively	29,568	31,312
Other assets	81,539	36,437
	$ 1,417,544	$ 1,391,965
LIABILITIES AND EQUITY		
Mortgages payable, net of deferred debt issuance costs	$ 1,090,740	$ 1,089,613
Amounts due to Vornado	715	879
Accounts payable and accrued expenses	57,190	44,681
Other liabilities	20,553	4,203
Total liabilities	1,169,198	1,139,376
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	33,865	33,415
Retained earnings	182,138	206,875
Accumulated other comprehensive income	27,538	7,494
	248,714	252,957
Treasury stock: 66,160 shares, at cost	(368)	(368)
Total equity	248,346	252,589
	$ 1,417,544	$ 1,391,965

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)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
REVENUES				
Rental revenues	$ 53,729	$ 48,950	$ 152,768	$ 156,491
EXPENSES				
Operating, including fees to Vornado of $1,357, $1,536, $4,271 and $4,585, respectively	(23,731)	(21,433)	(66,645)	(68,655)
Depreciation and amortization	(7,508)	(9,008)	(22,272)	(25,682)
General and administrative, including management fees to Vornado of $610, $595, $1,830 and $1,785 in each three and nine month period, respectively	(1,370)	(1,272)	(4,755)	(4,638)
Total expenses	(32,609)	(31,713)	(93,672)	(98,975)
Interest and other income, net	2,017	157	3,284	480
Interest and debt expense	(8,028)	(5,124)	(17,925)	(15,350)
Change in fair value of marketable securities	—	(869)	—	3,411
Net gain on sale of real estate	—	—	—	9,124
Net income	$ 15,109	$ 11,401	$ 44,455	$ 55,181
Net income per common share - basic and diluted	$ 2.95	$ 2.22	$ 8.67	$ 10.77
Weighted average shares outstanding - basic and diluted	5,127,086	5,124,478	5,125,768	5,123,321

See notes to consolidated financial statements (unaudited).

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 15,109	$ 11,401	$ 44,455	$ 55,181
Other comprehensive income:				
Change in fair value of interest rate derivatives and other	6,393	165	20,044	4,612
Comprehensive income	$ 21,502	$ 11,566	$ 64,499	$ 59,793

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands, except per share amounts)

	Common Stock		Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
	Shares	Amount					
For the Three Months Ended September 30, 2022							
Balance, June 30, 2022	5,173	$ 5,173	$ 33,865	$ 190,101	$ 21,145	$ (368)	$ 249,916
Net income	—	—	—	15,109	—	—	15,109
Dividends paid ($4.50 per common share)	—	—	—	(23,072)	—	—	(23,072)
Change in fair value of interest rate derivatives and other	—	—	—	—	6,393	—	6,393
Balance, September 30, 2022	5,173	$ 5,173	$ 33,865	$ 182,138	$ 27,538	$ (368)	$ 248,346
For the Three Months Ended September 30, 2021							
Balance, June 30, 2021	5,173	$ 5,173	$ 33,415	$ 163,845	$ 3,740	$ (368)	$ 205,805
Net income	—	—	—	11,401	—	—	11,401
Dividends paid ($4.50 per common share)	—	—	—	(23,060)	—	—	(23,060)
Change in fair value of interest rate derivatives	—	—	—	—	165	—	165
Balance, September 30, 2021	5,173	$ 5,173	$ 33,415	$ 152,186	$ 3,905	$ (368)	$ 194,311

	Common Stock		Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares	Amount					
For the Nine Months Ended September 30, 2022							
Balance, December 31, 2021	5,173	$ 5,173	$ 33,415	$ 206,875	$ 7,494	$ (368)	$ 252,589
Net income	—	—	—	44,455	—	—	44,455
Dividends paid ($13.50 per common share)	—	—	—	(69,192)	—	—	(69,192)
Change in fair value of interest rate derivatives and other	—	—	—	—	20,044	—	20,044
Deferred stock unit grants	—	—	450	—	—	—	450
Balance, September 30, 2022	5,173	$ 5,173	$ 33,865	$ 182,138	$ 27,538	$ (368)	$ 248,346
For the Nine Months Ended September 30, 2021							
Balance, December 31, 2020	5,173	$ 5,173	$ 32,965	$ 166,165	$ (707)	$ (368)	$ 203,228
Net income	—	—	—	55,181	—	—	55,181
Dividends paid ($13.50 per common share)	—	—	—	(69,160)	—	—	(69,160)
Change in fair value of interest rate derivatives	—	—	—	—	4,612	—	4,612
Deferred stock unit grants	—	—	450	—	—	—	450
Balance, September 30, 2021	5,173	$ 5,173	$ 33,415	$ 152,186	$ 3,905	$ (368)	$ 194,311

See notes to consolidated financial statements (unaudited).

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

	For the Nine Months Ended September 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	**2022**	**2021**
Net income	$ 44,455	$ 55,181
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including amortization of debt issuance costs	23,510	26,923
Net gain on sale of real estate	—	(9,124)
Straight-lining of rental income	6,028	7,411
Stock-based compensation expense	450	450
Change in fair value of marketable securities	—	(3,411)
Other non-cash adjustments	(1,420)	—
Change in operating assets and liabilities:		
Tenant and other receivables, net	1,031	1,497
Other assets	(9,412)	(9,146)
Amounts due to Vornado	(230)	1,032
Accounts payable and accrued expenses	11,540	20,601
Other liabilities	251	(495)
Net cash provided by operating activities	76,203	90,919
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress and real estate additions	(8,710)	(14,711)
Proceeds from sale of real estate	—	9,291
Return of short-term investment	—	3,600
Purchase of U.S. Treasury bills	(197,407)	—
Net cash used in investing activities	(206,117)	(1,820)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(69,192)	(69,160)
Debt issuance costs	(8)	(45)
Net cash used in financing activities	(69,200)	(69,205)
Net (decrease) increase in cash and cash equivalents	(199,114)	19,894
Cash, cash equivalents and restricted cash at beginning of period	483,505	449,877
Cash, cash equivalents and restricted cash at end of period	$ 284,391	$ 469,771
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at beginning of period	$ 463,539	$ 428,710
Restricted cash at beginning of period	19,966	21,167
Cash and cash equivalents and restricted cash at beginning of period	$ 483,505	$ 449,877
Cash and cash equivalents at end of period	$ 264,872	$ 448,913
Restricted cash at end of period	19,519	20,858
Cash and cash equivalents and restricted cash at end of period	$ 284,391	$ 469,771
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	$ 15,808	$ 14,182
NON-CASH TRANSACTIONS		
Liability for real estate additions, including $3 and $109 for development fees due to Vornado in 2022 and 2021, respectively	$ 2,277	$ 1,832
Write-off of fully depreciated assets	23	5,628

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 six properties in the 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 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 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, 2021, as filed with the SEC.

We have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the operating results for the full year.

Our investments in U.S. Treasury bills are accounted for as available-for-sale debt instruments and are recorded at fair value in "investments in U.S. Treasury bills" on our consolidated balance sheet as of September 30, 2022. See Note 8 - *Fair Value Measurements* for information on our investments in U.S. Treasury bills.

We operate in one reportable segment.

3. Recently Issued Accounting Literature

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04 establishing Accounting Standards Codification ("ASC") Topic 848, *Reference Rate Reform* and in January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope* (collectively, "ASC 848"). ASC 848 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASC 848 is optional and may be elected over time as reference rate reform activities occur. We have elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. We continue to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

4. Revenue Recognition

The following is a summary of revenue sources for the three and nine months ended September 30, 2022 and 2021.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Amounts in thousands)	2022	2021	2022	2021
Lease revenues	$ 51,921	$ 46,535	$ 146,440	$ 149,850
Parking revenue	1,189	1,207	3,582	3,215
Tenant services	619	1,208	2,746	3,426
Rental revenues	$ 53,729	$ 48,950	$ 152,768	$ 156,491

4. Revenue Recognition - continued

The components of lease revenues for the three and nine months ended September 30, 2022 and 2021 are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Amounts in thousands)	2022	2021	2022	2021
Fixed lease revenues	$ 35,847	$ 31,072	$ 101,468	$ 97,115
Variable lease revenues	16,074	15,463	44,972	52,735
Lease revenues	$ 51,921	$ 46,535	$ 146,440	$ 149,850

Bloomberg L.P. ("Bloomberg") accounted for revenue of $81,536,000 and $85,057,000 for the nine months ended September 30, 2022 and 2021, respectively, representing approximately 53% and 54% 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.

5. Related Party Transactions

<u>Vornado</u>

As of September 30, 2022, 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) $354,000, 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 LLC, 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.

5. Related Party Transactions - continued

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Amounts in thousands)	2022	2021	2022	2021
Company management fees	$ 700	$ 700	$ 2,100	$ 2,100
Development fees	—	30	3	109
Leasing fees	58	1,291	1,376	1,730
Commission on sale of real estate	—	—	—	300
Property management, cleaning, engineering and security fees	1,358	1,468	4,174	4,279
	$ 2,116	$ 3,489	$ 7,653	$ 8,518

As of September 30, 2022, the amounts due to Vornado were $513,000 for management, property management, cleaning, engineering and security fees; $144,000 for development fees; and $58,000 for leasing fees. As of December 31, 2021, the amounts due to Vornado were $669,000 for management, property management, cleaning, engineering and security fees; $141,000 for development fees; and $69,000 for leasing fees.

6. Mortgages Payable

The following is a summary of our outstanding mortgages payable as of September 30, 2022 and December 31, 2021. We may refinance our maturing debt as it comes due or choose to pay it down.

			Balance as of	
(Amounts in thousands)	Maturity	Interest Rate at September 30, 2022	September 30, 2022	December 31, 2021
First mortgages secured by:				
731 Lexington Avenue, office condominium [1][2]	Jun. 11, 2024	3.72%	$ 500,000	$ 500,000
731 Lexington Avenue, retail condominium [1][3]	Aug. 05, 2025	1.72%	300,000	300,000
Rego Park II shopping center [1][4]	Dec. 12, 2025	4.47%	202,544	202,544
The Alexander apartment tower	Nov. 01, 2027	2.63%	94,000	94,000
Total			1,096,544	1,096,544
Deferred debt issuance costs, net of accumulated amortization of $15,686 and $14,551, respectively			(5,804)	(6,931)
			$ 1,090,740	$ 1,089,613

(1) Interest rate listed represents the rate in effect as of September 30, 2022 based on LIBOR as of contractual reset date plus contractual spread, adjusted for hedging instruments as applicable.
(2) Interest at LIBOR plus 0.90%. Maturity represents the extended maturity based on our unilateral right to extend.
(3) Interest at LIBOR plus 1.40% which was swapped to a fixed rate of 1.72% through May 2025.
(4) Interest at LIBOR plus 1.35%.

7. Stock-Based Compensation

We account for stock-based compensation in accordance with ASC Topic 718, *Compensation – Stock Compensation* ("ASC 718"). 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 2022, we granted each of the members of our Board of Directors 326 DSUs with a market value of $75,000 per grant. The grant date fair value of these awards was $56,250 per grant, or $450,000 in the aggregate, in accordance with ASC 718. 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 September 30, 2022, there were 19,796 DSUs outstanding and 485,991 shares were available for future grant under the Plan.

8. Fair Value Measurements

ASC Topic 820, *Fair Value Measurement* ("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 as well as certain U.S. Treasury securities that are highly liquid and are actively traded in secondary markets; Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 – unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as consider counterparty credit risk in our assessment of fair value.

Financial Assets and Liabilities Measured at Fair Value

Financial assets measured at fair value on our consolidated balance sheet as of September 30, 2022 consist of U.S. Treasury bills (classified as available-for-sale) and interest rate derivatives, which are presented in the table below based on their level in the fair value hierarchy. There were no financial liabilities measured at fair value as of September 30, 2022.

	As of September 30, 2022			
(Amounts in thousands)	Total	Level 1	Level 2	Level 3
Investments in U.S. Treasury bills[(1)]	$ 197,904	$ 197,904	$ —	$ —
Interest rate derivatives (included in other assets)	28,635	—	28,635	—
	$ 226,539	$ 197,904	$ 28,635	$ —

(1) During the nine months ended September 30, 2022, we purchased $197,407 of U.S. Treasury bills with an aggregate face value of $200,000. As of September 30, 2022, our investments in U.S. Treasury bills have an aggregate amortized cost of $198,827 and have remaining maturities of less than one year.

Financial assets measured at fair value on our consolidated balance sheet as of December 31, 2021 consist of interest rate derivatives, which are presented in the table below based on their level in the fair value hierarchy. There were no financial liabilities measured at fair value as of December 31, 2021.

	As of December 31, 2021			
(Amounts in thousands)	Total	Level 1	Level 2	Level 3
Interest rate derivatives (included in other assets)	$ 7,545	$ —	$ 7,545	$ —

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 September 30, 2022 and December 31, 2021.

	As of September 30, 2022		As of December 31, 2021	
(Amounts in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash equivalents	$ 229,922	$ 229,922	$ 427,601	$ 427,601
Liabilities:				
Mortgages payable (excluding deferred debt issuance costs, net)	$ 1,096,544	$ 1,056,734	$ 1,096,544	$ 1,064,122

9. Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of $300,000,000 per occurrence and per property, of which the first $30,000,000 includes communicable disease coverage, 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 and excluding communicable disease coverage.

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 Act of 2002, as amended to date and which has been extended through December 2027. 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 $294,000 deductible and 20% of the balance of a covered loss, and the Federal government is responsible for the remaining 80% 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.

Letters of Credit

Approximately $900,000 of standby letters of credit were issued and outstanding as of September 30, 2022.

Other

In January 2022, New World Mall LLC, the sub-tenant at our Flushing property, exercised its one remaining 10-year extension option through January 2037. As a result, we remeasured our related ground lease liability to include our 10-year extension option and recorded an estimated incremental right-of-use asset and lease liability of approximately $17,000,000 which is included in "other assets" and "other liabilities," respectively, on our consolidated balance sheet as of September 30, 2022.

There are various legal actions pending 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.

10. 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 nine months ended September 30, 2022 and 2021.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Amounts in thousands, except share and per share amounts)	2022	2021	2022	2021
Net income	$ 15,109	$ 11,401	$ 44,455	$ 55,181
Weighted average shares outstanding – basic and diluted	5,127,086	5,124,478	5,125,768	5,123,321
Net income per common share – basic and diluted	$ 2.95	$ 2.22	$ 8.67	$ 10.77

11. Subsequent Events

On October 3, 2022, we invested an additional $166,832,000 in U.S. Treasury bills. These investments in U.S. Treasury bills have an aggregate face value of $170,000,000, have maturities of less than one year and are accounted for as available-for-sale debt instruments.

On October 26, 2022, IKEA, which leases 112,000 square feet of retail space at our Rego Park I shopping center, announced that it plans to close its store at the property. IKEA remains obligated under its lease which expires in December 2030. The lease includes a right to terminate effective no earlier than March 2026, subject to payment of rent through the termination date and an additional termination payment equal to the lesser of $10,000,000 or the amount of rent due under the remaining term.

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 September 30, 2022, the related consolidated statements of income, comprehensive income, and changes in equity, for the three-month and nine-month periods ended September 30, 2022 and 2021, and of cash flows for the nine-month periods ended September 30, 2022 and 2021, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, 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, 2021, 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 14, 2022, 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, 2021, 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 reviews 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

New York, New York
October 31, 2022

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.

Currently, some of the factors are the ongoing adverse effect of the COVID-19 pandemic, the increase in interest rates and inflation on our business, financial condition, results of operations, cash flows, operating performance and the effect that these factors have had and may continue to have on our tenants, the global, national, regional and local economies and financial markets and the real estate market in general. The extent of the impact of the COVID-19 pandemic will continue to depend on future developments, including vaccination rates among the population, the efficacy and durability of vaccines against emerging variants, and governmental and tenant responses thereto, which continue to be uncertain but the impact could be material. Moreover, you are cautioned that the COVID-19 pandemic will heighten many of the risks identified in "Item 1A. – Risk Factors" in Part I of our Annual Report on Form 10-K for the year ended December 31, 2021.

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, 2021. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly, any revisions to our forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

Management's Discussion and Analysis of Financial Condition and Results of Operations include a discussion of our consolidated financial statements for the three and nine months ended September 30, 2022 and 2021. 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 nine months ended September 30, 2022 are not necessarily indicative of the operating results for the full year.

Critical Accounting Estimates and Significant Accounting Policies

A summary of the critical accounting estimates used in the preparation of our consolidated financial statements is included in our Annual Report on Form 10-K for the year ended December 31, 2021 in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and a summary of our significant accounting policies is included in "Note 2 – Summary of Significant Accounting Policies" to the consolidated financial statements included therein. For the nine months ended September 30, 2022, there were no material changes to these policies.

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 six properties in the 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 and employment 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.

Our business has been adversely affected by the ongoing COVID-19 pandemic. While substantially all the limitations and restrictions imposed on our retail tenants during the onset of the pandemic have been lifted, economic conditions and other factors continue to adversely affect the financial health of our retail tenants.

Quarter Ended September 30, 2022 Financial Results Summary

Net income for the quarter ended September 30, 2022 was $15,109,000, or $2.95 per diluted share, compared to $11,401,000 or $2.22 per diluted share in the prior year’s quarter.

Funds from operations (“FFO”) (non-GAAP) for the quarter ended September 30, 2022 was $22,544,000, or $4.40 per diluted share, compared to $21,181,000 or $4.13 per diluted share in the prior year’s quarter.

Nine Months Ended September 30, 2022 Financial Results Summary

Net income for the nine months ended September 30, 2022 was $44,455,000, or $8.67 per diluted share, compared to $55,181,000, or $10.77 per diluted share in the prior year’s nine months.

FFO (non-GAAP) for the nine months ended September 30, 2022 was $66,451,000, or $12.96 per diluted share, compared to $68,095,000 or $13.29 per diluted share in the prior year’s nine months.

Square Footage, Occupancy and Leasing Activity

As of September 30, 2022, our portfolio was comprised of six properties aggregating 2,454,000 square feet, of which 2,241,000 square feet was in service and 213,000 square feet (at our Rego Park I and Rego Park II properties) was out of service for redevelopment. Excluding residential, the in service square feet was 96% occupied as of September 30, 2022. The in service residential square feet was 98% occupied as of September 30, 2022.

Significant Tenant

Bloomberg L.P. (“Bloomberg”) accounted for revenue of $81,536,000 and $85,057,000 for the nine months ended September 30, 2022 and 2021, respectively, representing approximately 53% and 54% 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.

Results of Operations – Three Months Ended September 30, 2022, compared to September 30, 2021

Rental Revenues

Rental revenues were $53,729,000 in the quarter ended September 30, 2022, compared to $48,950,000 in the prior year's quarter, an increase of $4,779,000. This was primarily due to (i) $2,039,000 of bankruptcy proceeds received from Century 21, a former tenant at our Rego Park II property, (ii) $1,480,000 of higher real estate tax reimbursements due to higher real estate tax expense, (iii) $1,249,000 of higher revenue due to leasing activity, (iv) $787,000 of higher revenue due to higher occupancy at The Alexander apartment tower and (v) $364,000 of higher revenue from cash basis tenants, partially offset by (vi) $1,815,000 of lower revenue due to the sale of our Paramus property in October 2021.

Operating Expenses

Operating expenses were $23,731,000 in the quarter ended September 30, 2022, compared to $21,433,000 in the prior year's quarter, an increase of $2,298,000. This was primarily due to higher operating expenses subject to recovery, including higher real estate taxes resulting from increases to assessed property values.

Depreciation and Amortization

Depreciation and amortization was $7,508,000 in the quarter ended September 30, 2022, compared to $9,008,000 in the prior year's quarter, a decrease of $1,500,000. This was primarily due to the acceleration of amortization of the deferred leasing commission at our Paramus property in the prior year's quarter.

General and Administrative Expenses

General and administrative expenses were $1,370,000 in the quarter ended September 30, 2022, compared to $1,272,000 in the prior year's quarter, an increase of $98,000. This was primarily due to higher professional fees.

Interest and Other Income, net

Interest and other income, net was $2,017,000 in the quarter ended September 30, 2022, compared to $157,000 in the prior year's quarter, an increase of $1,860,000. This was primarily due to $1,146,000 of higher interest income primarily due to an increase in average interest rates and $809,000 of higher interest income from our investments in U.S. Treasury bills.

Interest and Debt Expense

Interest and debt expense was $8,028,000 in the quarter ended September 30, 2022, compared to $5,124,000 in the prior year's quarter, an increase of $2,904,000. This was primarily due to $3,740,000 of higher interest expense due to an increase in LIBOR, partially offset by $820,000 of lower interest expense resulting from the sale of our Paramus property and related debt payoff in October 2021.

Change in Fair Value of Marketable Securities

Change in fair value of marketable securities was an expense of $869,000 in the quarter ended September 30, 2021. This was due to the change in The Macerich Company's ("Macerich") common share price through the quarter ended September 30, 2021. We sold our Macerich common shares in December 2021.

Results of Operations – Nine Months Ended September 30, 2022, compared to September 30, 2021

Rental Revenues

Rental revenues were $152,768,000 in the nine months ended September 30, 2022, compared to $156,491,000 in the prior year's nine months, a decrease of $3,723,000. This was primarily due to (i) $5,346,000 of lower revenue due to the sale of our Paramus property in October 2021, (ii) $3,017,000 of lower real estate tax reimbursements due to lower real estate tax expense, (iii) $2,750,000 of lease termination fee income received in the prior year from a retail tenant at our 731 Lexington Avenue property, partially offset by (iv) $2,452,000 of higher revenue due to leasing activity, (v) $2,039,000 of bankruptcy proceeds received from Century 21, a former tenant at our Rego Park II property and (vi) $1,979,000 of higher revenue due to higher occupancy at The Alexander apartment tower.

Operating Expenses

Operating expenses were $66,645,000 in the nine months ended September 30, 2022, compared to $68,655,000 in the prior year's nine months, a decrease of $2,010,000. This was primarily due to lower operating expenses subject to recovery, including lower real estate taxes during the first half of the year, resulting from reductions to assessed property values.

Depreciation and Amortization

Depreciation and amortization was $22,272,000 in the nine months ended September 30, 2022, compared to $25,682,000 in the prior year's nine months, a decrease of $3,410,000. This was primarily due to the acceleration of amortization of the deferred leasing commission at our Paramus property in the prior year's nine months.

General and Administrative Expenses

General and administrative expenses were $4,755,000 in the nine months ended September 30, 2022, compared to $4,638,000 in the prior year's nine months, an increase of $117,000. This was primarily due to higher professional fees.

Interest and Other Income, net

Interest and other income, net was $3,284,000 in the nine months ended September 30, 2022, compared to $480,000 in the prior year's nine months, an increase of $2,804,000. This was primarily due to $1,491,000 of higher interest income primarily due to an increase in average interest rates and $1,420,000 of higher interest income from our investments in U.S. Treasury bills.

Interest and Debt Expense

Interest and debt expense was $17,925,000 in the nine months ended September 30, 2022, compared to $15,350,000 in the prior year's nine months, an increase of $2,575,000. This was primarily due to $5,022,000 of higher interest expense due to an increase in LIBOR, partially offset by $2,434,000 of lower interest expense resulting from the sale of our Paramus property and related debt payoff in October 2021.

Change in Fair Value of Marketable Securities

Change in fair value of marketable securities was income of $3,411,000 in the nine months ended September 30, 2021. This was due to the change in Macerich's common share price through the nine months ended September 30, 2021. We sold our Macerich common shares in December 2021.

Net Gain on Sale of Real Estate

Net gain on sale of real estate was $9,124,000 in the nine months ended September 30, 2021, resulting from the sale of a parcel of land in the Bronx, New York.

Liquidity and Capital Resources

Cash Flows

Rental revenue 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.

As of September 30, 2022, we had $482,295,000 of liquidity comprised of $284,391,000 of cash and cash equivalents and restricted cash and $197,904,000 of investments in U.S. Treasury bills. 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 pay it down. However, there can be no assurance that additional financing or capital will be available to refinance our debt, or that the terms will be acceptable or advantageous to us. The challenges posed by the COVID-19 pandemic and the impact on our business and cash flows continue to evolve and cannot be predicted at this time but that impact could be material.

For the Nine Months Ended September 30, 2022

Cash and cash equivalents and restricted cash were $284,391,000 as of September 30, 2022, compared to $483,505,000 as of December 31, 2021, a decrease of $199,114,000. This decrease resulted from (i) $206,117,000 of net cash used in investing activities, (ii) $69,200,000 of net cash used in financing activities, partially offset by (iii) $76,203,000 of net cash provided by operating activities.

Net cash used in investing activities was comprised of the purchase of U.S. Treasury bills of $197,407,000 and construction in progress and real estate additions of $8,710,000.

Net cash used in financing activities was primarily comprised of dividends paid of $69,192,000.

Net cash provided by operating activities of $76,203,000 was comprised of (i) net income of $44,455,000, (ii) adjustments for non-cash items of $28,568,000 and (iii) the net change in operating assets and liabilities of $3,180,000. The adjustments for non-cash items were comprised of (i) depreciation and amortization (including amortization of debt issuance costs) of $23,510,000, (ii) straight-lining of rental income of $6,028,000 and (iii) stock-based compensation of $450,000, partially offset by (iv) other non-cash adjustments of $1,420,000.

For the Nine Months Ended September 30, 2021

Cash and cash equivalents and restricted cash were $469,771,000 as of September 30, 2021, compared to $449,877,000 as of December 31, 2020, an increase of $19,894,000. This increase resulted from (i) $90,919,000 of net cash provided by operating activities, partially offset by (ii) $69,205,000 of net cash used in financing activities and (iii) $1,820,000 of net cash used in investing activities.

Net cash provided by operating activities of $90,919,000 was comprised of (i) net income of $55,181,000, (ii) adjustments for non-cash items of $22,249,000 and (iii) the net change in operating assets and liabilities of $13,489,000. The adjustments for non-cash items were comprised of (i) depreciation and amortization (including amortization of debt issuance costs) of $26,923,000, (ii) straight-lining of rental income of $7,411,000 and (iii) stock-based compensation of $450,000, partially offset by (iv) net gain on sale of real estate of $9,124,000 and (v) the change in fair value of marketable securities of $3,411,000.

Net cash used in financing activities of $69,205,000 was primarily comprised of dividends paid of $69,160,000.

Net cash used in investing activities was comprised of (i) construction in progress and real estate additions of $14,711,000, partially offset by (ii) proceeds from the sale of real estate of $9,291,000 and (iii) the return of short-term investments of $3,600,000.

Liquidity and Capital Resources - continued

Commitments and Contingencies

<u>Insurance</u>

We maintain general liability insurance with limits of $300,000,000 per occurrence and per property, of which the first $30,000,000 includes communicable disease coverage, 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 and excluding communicable disease coverage.

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 Act of 2002, as amended to date and which has been extended through December 2027. 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 $294,000 deductible and 20% of the balance of a covered loss, and the Federal government is responsible for the remaining 80% 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.

<u>Letters of Credit</u>

Approximately $900,000 of standby letters of credit were issued and outstanding as of September 30, 2022.

<u>Other</u>

In January 2022, New World Mall LLC, the sub-tenant at our Flushing property, exercised its one remaining 10-year extension option through January 2037. As a result, we remeasured our related ground lease liability to include our 10-year extension option and recorded an estimated incremental right-of-use asset and lease liability of approximately $17,000,000 which is included in “other assets” and “other liabilities,” respectively, on our consolidated balance sheet as of September 30, 2022.

There are various legal actions pending 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 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 certain 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.

FFO (non-GAAP) for the three and nine months ended September 30, 2022 and 2021

FFO (non-GAAP) for the quarter ended September 30, 2022 was $22,544,000, or $4.40 per diluted share, compared to $21,181,000, or $4.13 per diluted share in the prior year’s quarter.

FFO (non-GAAP) for the nine months ended September 30, 2022 was $66,451,000, or $12.96 per diluted share, compared to $68,095,000 or $13.29 per diluted share in the prior year’s nine months.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Amounts in thousands, except share and per share amounts)	**2022**	**2021**	**2022**	**2021**
Net income	$ 15,109	$ 11,401	$ 44,455	$ 55,181
Depreciation and amortization of real property	7,435	8,911	21,996	25,449
Net gain on sale of real estate	—	—	—	(9,124)
Change in fair value of marketable securities	—	869	—	(3,411)
FFO (non-GAAP)	$ 22,544	$ 21,181	$ 66,451	$ 68,095
FFO per diluted share (non-GAAP)	$ 4.40	$ 4.13	$ 12.96	$ 13.29
Weighted average shares used in computing FFO per diluted share	5,127,086	5,124,478	5,125,768	5,123,321

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.

(Amounts in thousands, except per share amounts)	2022			2021	
	September 30, Balance	Weighted Average Interest Rate	Effect of 1% Change in Base Rates	December 31, Balance	Weighted Average Interest Rate
Variable Rate	$ 702,544	3.94%	$ 7,025	$ 702,544	1.14%
Fixed Rate	394,000	1.94%	—	394,000	1.94%
	$ 1,096,544	3.22%	$ 7,025	$ 1,096,544	1.42%
Total effect on diluted earnings per share			$ 1.37		

We have an interest rate cap relating to the mortgage loan on the office condominium of our 731 Lexington Avenue property with a notional amount of $500,000,000 that caps LIBOR at a rate of 6.0%.

We have an interest rate swap relating to the mortgage loan on the retail condominium of our 731 Lexington Avenue property with a notional amount of $300,000,000 that swaps LIBOR plus 1.40% for a fixed rate of 1.72% through May 2025.

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 September 30, 2022 and December 31, 2021, the estimated fair value of our mortgages payable was $1,056,734,000 and $1,064,122,000, 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.

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, 2021.

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	-	The following financial information from the Alexander’s, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 formatted in Inline Extensible Business Reporting Language (iXBRL) includes: (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of changes in equity, (v) consolidated statements of cash flows and (vi) the notes to the consolidated financial statements
104	-	The cover page from the Alexander’s, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 formatted as iXBRL and contained in Exhibit 101

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: October 31, 2022	By:	/s/ Gary Hansen
		Gary Hansen
		Chief Financial Officer (duly authorized officer and principal financial and accounting officer)

EXHIBIT 15.1

October 31, 2022

The Board of Directors and Stockholders of Alexander’s, Inc.
210 Route 4 East
Paramus, New Jersey 07652

We are aware that our report dated October 31, 2022, on our review of the interim financial information of Alexander’s, Inc. and subsidiaries appearing in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, is incorporated by reference in Registration Statement No. 333-212838 on Form S-8.

/s/ DELOITTE & TOUCHE LLP
New York, New York

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.

October 31, 2022

/s/ Steven Roth

Steven Roth
Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Gary Hansen, 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.

October 31, 2022

/s/ Gary Hansen
Gary Hansen
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION

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)

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 September 30, 2022 (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.

October 31, 2022		/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
(Subsections (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 September 30, 2022 (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.

October 31, 2022		/s/ Gary Hansen
	Name:	Gary Hansen
	Title:	Chief Financial Officer