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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1998

Commission file number: 1-6064

ALEXANDER'S, 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 No.)

Park 80 West, Plaza II, Saddle Brook, New Jersey	07663
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	New York Stock Exchange

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

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

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

The aggregate market value of the common stock held by non-affiliates of the Registrant (based upon the closing price of the stock on the New York Stock Exchange on February 24, 1999) was approximately $150,760,000.

5,000,850 shares of the Registrant's common stock, par value $1 per share, were outstanding as of February 24, 1999.

Documents Incorporated by Reference

Part III: Proxy Statement for Annual Meeting of Shareholders to be held May 19, 1999

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(1) These items are omitted because the Registrant will file a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors with the Securities and Exchange Commission not later than 120 days after December 31, 1998, which is incorporated by reference.

PART I

Item 1. Business

General

Alexander's, Inc. (the "Company") is a real estate investment trust ("REIT") engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores (which ceased operations in 1992) formerly operated. Alexander's activities are conducted through its manager, Vornado Realty Trust ("Vornado"). The Company believes that its properties, which are located in New York City and Bergen County, New Jersey, offer advantageous retail opportunities, principally because of their size and location in areas where comparable store sites are not readily available.

Alexander's has eight properties consisting of:

Operating properties:

(i) the Rego Park I property located on Queens Boulevard and 63rd Road in Rego Park, Queens, New York, which contains a recently redeveloped 351,000 square foot building, which is 100% leased to Sears, Circuit City, Bed Bath & Beyond, Marshalls and Old Navy;

(ii) the Kings Plaza Regional Shopping Center on Flatbush Avenue in Brooklyn, New York, which contains 1,100,000 square feet is comprised of a two-level mall containing 477,000 square feet, a 289,000 square foot department store leased to Sears and another anchor department store owned and operated as a Macy's by Federated Department Stores, Inc. ("Federated");

(iii) the Fordham Road property located at Fordham Road and the Grand Concourse in the Bronx, New York, which contains a 303,000 square foot building currently unoccupied;

(iv) the Flushing property located at Roosevelt Avenue and Main Street in Flushing, New York, which contains a 177,000 square foot building sub-leased to Caldor, and

(v) the Third Avenue property located at Third Avenue and 152nd Street in the Bronx, New York, which contains a 173,000 square foot building leased to an affiliate of Conway.

Non-operating properties to be redeveloped:

(vi) the Lexington Avenue property which comprises the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street in Manhattan, New York;

(vii) the Paramus property which consists of 30.3 acres of land located at the intersection of Routes 4 and 17 in Paramus, New Jersey;

(viii) the Rego Park II property, which comprises one and one-half square blocks of vacant land adjacent to the Rego Park I property.

The following tenants accounted for more than 10% of the Company's consolidated revenues:

	Year Ended December 31,		
	1998	1997	1996
Sears	28%	31%	23%
Caldor	7%	22%	36%

In September 1995, Caldor filed for relief under Chapter 11 of the United States Bankruptcy Code. In January 1999, Caldor announced that it is closing all of its stores. Caldor previously sub-leased its Flushing Store from the Company. Caldor rejected the Flushing lease effective March 29, 1999. The annual base rental under the lease was $2,963,000. The loss of property rental payments, if any, could have a material adverse affect on the Company's financial condition and results of operations. Caldor previously rejected its Fordham Road lease effective June 6, 1997 and accordingly, no longer pays rent. The annual base rental under this lease was $3,537,000.

In June, 1998, the Company increased its interest in the Kings Plaza Mall (the "Mall") to 100% by acquiring Federated's 50% interest. The purchase price was approximately $28,000,000, which was paid in cash, plus, the Company has agreed to pay Federated $15,000,000 to renovate its Macy's store in the Mall and Federated agreed to certain modifications to the Kings Plaza Operating Agreement. In connection with the acquisition, the Company completed a $90,000,000 three-year mortgage loan with Union Bank of Switzerland. The loan is collateralized by the Company's interest in the Kings Plaza Regional Shopping Center and bears interest at LIBOR plus 1.25% (currently 6.79%). In addition to funding the acquisition, the proceeds from the borrowing were also used to repay $34,900,000 of debt ($32,000,000 of which was due in the next year). Further, the Company expects to increase this loan by $30,000,000 of which approximately $15,000,000 will be used to partially fund a renovation of the Mall (estimated to cost $30,000,000 in total) and $15,000,000 will be used to pay the liability to Federated noted above.

In the aggregate, Alexander's current operating properties (five of its eight properties) do not generate sufficient cash flow to pay all of its expenses. The Company's three non-operating properties (Lexington Avenue, Paramus, and Rego Park II) are in various stages of redevelopment. As rents commence from a portion of the redevelopment properties, the Company expects that cash flow will become positive.

The Company estimates that the fair market values of its assets are substantially in excess of their historical cost and that it has additional borrowing capacity. Alexander's continues to evaluate its needs for capital, which may be raised through (a) property specific or corporate borrowing, (b) the sale of securities and (c) asset sales. Although there can be no assurance, the Company believes that these cash sources will be adequate to fund cash requirements until its operations generate adequate cash flow.

The Company is a Delaware corporation with its principal executive office located at Park 80 West, Plaza II, Saddle Brook, New Jersey 07663, telephone (201) 587-8541.

Relationship with Vornado Realty Trust ("Vornado")

Vornado owns 29.3% of the Company's Common Stock. The Company is managed by, and its properties are redeveloped and leased by Vornado, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable.

The annual management fee payable by the Company to Vornado is equal to the sum of (i) $3,000,000, (ii) 3% of the gross income from the Kings Plaza Mall, plus (iii) 6% of development costs with minimum guaranteed fees of $750,000 per annum. The leasing agreement provides for the Company to pay a fee to Vornado equal to (i) 3% of the gross proceeds, as defined, from the sale of an asset and (ii) in the event of a lease or sublease of an asset, 3% of lease rent for the first ten years of a lease term, 2% of lease rent for the eleventh through the twentieth years of a lease term and 1% of lease rent for the twenty-first through thirtieth year of a lease term. Subject to the payment of rents by tenants, the Company owes Vornado $5,145,000 at December 31, 1998. Such amount is payable annually in an amount not to exceed $2,500,000, until the present value of such installments (calculated at a discount rate of 9% per annum) equals the amount that would have been paid had it been paid on September 21, 1993, or at the time the transactions which gave rise to the commissions occurred, if later.

In addition, Vornado lent the Company $45,000,000 in March 1995, the subordinated tranche of a loan in the original amount of $75,000,000 which has a current outstanding balance of $65,000,000. The Vornado loan, which was scheduled to expire in March 1999, has been extended to March 2000 and the interest rate has been reset from 13.87% per annum to 14.18% per annum. The loan is secured by liens on all of the Company's assets and/or pledges of the stock of subsidiaries owning the assets and/or guarantees of such subsidiaries and the parent, except for the Kings Plaza Regional Shopping Center. These liens are subordinate to first mortgages.

Vornado is a fully integrated REIT with significant experience in the ownership, development, redevelopment, leasing, operation and management of retail and office properties.

Steven Roth is Chief Executive Officer and a director of the Company, the Managing General Partner of Interstate Properties ("Interstate") and Chairman of the Board and Chief Executive Officer of Vornado. Interstate owns 27.1% of the outstanding common stock of the Company and owns 15.2% of the outstanding common shares of beneficial interest of Vornado. In addition, Mr. Roth owns 1.9% of the outstanding common shares of beneficial interest of Vornado. Mr. Roth, Interstate and the other two general partners of Interstate, David Mandelbaum and Russell B. Wight, Jr. (who are also directors of the Company and trustees of Vornado) own, in the aggregate, 18.1% of the outstanding common shares of beneficial interest of Vornado.

Michael D. Fascitelli, President of Vornado and a member of its Board of Trustees, is also a director of the Company. Mr. Fascitelli received an option for 350,000 shares of the Company's common stock pursuant to the Company's Omnibus Stock Plan in 1996.

Environmental Matters

In June 1997, the Kings Plaza Regional Shopping Center (the "Center"), commissioned an Environmental Study and Contamination Assessment Site Investigation (the Phase II "Study") to evaluate and delineate environmental conditions disclosed in a Phase I study. The results of the Study indicate the presence of petroleum and other hydrocarbons in the soil and groundwater. The Study recommends a remedial approach, but agreement has not yet been reached with the New York State Department of Environmental Conservation ("NYDEC") on the finalization of the approach. The Center has accrued $1,500,000 for its estimated obligation with respect to the clean up of the site, which includes costs of (i) remedial investigation, (ii) feasibility study, (iii) remedial design, (iv) remedial action and (v) professional fees. If the NYDEC insists on a more extensive remediation approach, the Center could incur additional obligations.

Such contamination may have resulted from activities of third parties; however, the sources of the contamination have not been fully identified. Although the Center intends to pursue all available remedies against any potentially responsible third parties, there can be no assurance that such parties will be identified, or if identified, whether these potentially responsible third parties will be solvent. In addition, the costs associated with pursuing any potentially responsible parties may be cost prohibitive. The Center has not recorded an asset as of December 31, 1998 for potential recoveries of environmental remediation costs from other parties.

Compliance with applicable provisions of federal, state and local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment have not had, and, although there can be no assurance, are not expected to have, a material effect on the Company's financial position, results of operations and cash flows.

Competition

The Company conducts its real estate operations in the New York metropolitan area, a highly competitive market. The Company's success depends upon, among other factors, the trends of the national and local economies, the financial condition and operating results of current and prospective tenants, the availability and cost of capital, interest rates, construction and renovation costs, income tax laws, governmental regulations and legislation, population trends, the market for real estate properties in the New York metropolitan area, zoning laws and the ability of the Company to lease, sublease or sell its properties at profitable levels. The Company competes with a large number of real estate property owners. In addition, although the Company believes that it will realize significant value from its properties over time, the Company anticipates that it may take a number of years before all of its properties generate cash flow at or near anticipated levels. The Company's success is also subject to its ability to finance its development and to refinance its debts as they come due.

Employees

The Company currently has one corporate employee and eighty property level employees.

Item 2. Properties

The following table shows the location, approximate size and leasing status as of December 31, 1998 of each of the Company's properties.

Property	Ownership	Approximate Land Square Footage ("SF") or Acreage	Approximate Building Square Footage/ Number of Floors	Average Annualized Base Rent Per Sq. Foot	Percent Leased
Operating Properties					
Rego Park I Queens Blvd. & 63rd Rd. Rego Park, New York	Owned	4.8 acres	351,000/3 (1)	$ 28.76	100%
Kings Plaza Regional Shopping Center Flatbush Avenue Brooklyn, New York	Owned	24.3 acres	289,000 477,000 ------- 766,000/4 (1)(2)	$ 10.00 $ 40.63	100% 90% 94%
Fordham Road & Grand Concourse Bronx, New York	Owned	92,211 SF	303,000/5	--	--
Roosevelt Avenue & Main Street Flushing, New York	Leased	44,975 SF	177,000/4 (3)	$ 16.74	100%
Third Avenue & 152nd Street Bronx, New York	Owned	60,451 SF	173,000/4	$ 5.00	100%
			--------- 1,770,000 =========		
Redevelopment Properties					
Square block at East 59th Street & Lexington Avenue New York, New York	Owned	84,420 SF	-- (5)		
Routes 4 & 17 Paramus, New Jersey	Owned	30.3 acres	-- (6)		
Rego Park II Queens, New York	Owned	6.6 acres	--		

Property	Significant Tenants (30,000 square feet or more)	Square Footage Leased	Lease Expiration/ Option Expiration
Operating Properties			
Rego Park I Queens Blvd. & 63rd Rd. Rego Park, New York	Sears Circuit City Bed Bath & Beyond Marshalls	195,000 50,000 46,000 39,000	2021 2021 2013 2008/2021
Kings Plaza Regional Shopping Center Flatbush Avenue Brooklyn, New York	Sears 110 mall tenants	289,000	2023/2033
Fordham Road & Grand Concourse Bronx, New York	--		
Roosevelt Avenue & Main Street Flushing, New York	Caldor(4)	177,000	2027
Third Avenue & 152nd Street Bronx, New York	An affiliate of Conway	173,000	2023

(1) Excludes parking garages operated for the benefit of the Company.

(2) Excludes approximately 150,000 square feet of enclosed, common area space and the 330,000 square foot Macy's store, owned and operated by Federated.

(3) Leased to the Company through January 2027. The Company is obligated to pay rent to the landlord as follows: $331,000 per year from February 1997 through January 2007, $220,000 per year from February 2007 through January 2017, and $147,000 per year from February 2017 through January 2027.

(4) Caldor announced that it is closing all of its stores. Caldor rejected this lease effective March 29, 1999.

(5) The Company is razing the existing buildings and is evaluating redevelopment plans for this site which may involve developing a large multi-use building.

(6) Governmental approvals have been obtained to develop a shopping center at this site containing up to 550,000 square feet (see Item 2 "Paramus Property" on page 9).

Operating Properties:

Rego Park I

The Rego Park I property encompasses the entire block fronting on Queens Boulevard and bounded by 63rd Road, 62nd Drive, 97th Street and Junction Boulevard.

The existing 351,000 square foot building was redeveloped in 1996 and is fully leased to Sears, Circuit City, Bed Bath & Beyond, Marshalls and Old Navy. In addition, in conjunction with the redevelopment, a multi-level parking structure was constructed which provides paid parking spaces for approximately 1,200 vehicles.

Kings Plaza Regional Shopping Center

The Kings Plaza Regional Shopping Center (the "Center") contains approximately 1.1 million square feet and is comprised of a two-level mall (the "Mall") containing 477,000 square feet and two four-level anchor stores. One of the anchor stores is owned by the Company and leased to Sears, while the other anchor store is owned and operated as a Macy's store by Federated. In June 1998, the Company increased its interest in the Mall to 100% by acquiring Federated's 50% interest. The Center occupies a 24.3-acre site at the intersection of Flatbush Avenue and Avenue U located in Brooklyn, New York. Among the Center's features are a marina, a five-level parking structure and an energy plant that generates all of the Center's electrical power. The Company agreed to pay Federated $15,000,000 to renovate its Macy's store and is evaluating plans to renovate the Mall, which is expected to cost approximately $30,000,000.

The following table shows lease expirations for the Mall tenants in the Center for the next ten years, assuming none of the tenants exercise renewal options:

Year	Number of Leases Expiring	Approximate Leased Area in Square Feet Under Expiring Leases	Annualized Fixed Rent Under Expiring Leases	Annualized Fixed Rent Under Expiring Leases per Square Foot	Percent of Total Lease Square Footage Represented by Expiring Leases	Percent of 1998 Gross Annual Rental Represented by Expiring Leases
1999	1	1,285	$ 64,250	$ 50.00	.18%	.32%
2000	14	29,148	1,487,627	51.04	4.09%	7.40%
2001	10	26,952	1,735,739	64.40	3.78%	8.63%
2002	18	38,285	1,553,874	40.59	5.37%	7.73%
2003	8	16,611	817,073	49.19	2.33%	4.06%
2004	3	12,197	580,255	47.57	1.71%	2.89%
2005	3	16,082	450,192	27.99	2.26%	2.24%
2006	16	96,095	2,228,455	23.81	13.48%	11.38%
2007	14	72,620	3,239,150	44.60	10.18%	16.11%
2008	7	16,857	875,666	51.95	2.36%	4.35%

The following table shows the occupancy rate and the average annual rent per square foot for the Mall stores as of:

	Occupancy Rate	Average Annual Rent Per Square Foot
December 31, 1998	90%	$ 40.63
December 31, 1997	86%	38.17
December 31, 1996	84%	37.29
December 31, 1995	88%	31.43
June 30, 1994	88%	28.43

Fordham Road

The Company owns the Fordham Road property, which is located at the intersection of Fordham Road and the Grand Concourse in the Bronx, New York. The property includes a five-floor building containing approximately 303,000 square feet located in the center of a shopping complex in one of the busiest shopping areas in the Bronx. This property, which is currently unoccupied, was previously leased to Caldor. Caldor rejected this lease effective June 6, 1997 and accordingly, no longer pays rent . The Company is currently in discussions with several tenants to re-lease all or portions of this space.

Flushing

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

This property was sub-leased to Caldor (other than the portion currently being used as a parking garage). In January 1999, Caldor announced that it is closing all of its stores. Caldor rejected the lease effective March 29, 1999. The annual base rental under the lease was $2,963,000.

Third Avenue

The Company owns the Third Avenue property, a four-floor building and a small surface parking lot located at the intersection of Third Avenue and 152nd Street in the Bronx, New York. The store is located in a densely populated neighborhood. This property is leased to an affiliate of Conway, a New York area discount retailer.

Redevelopment Properties:

Lexington Avenue

The Company owns the Lexington Avenue property which comprises the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street and is situated in the heart of one of Manhattan's busiest business and shopping districts with convenient access to several subway and bus lines. The property is located directly across the street from Bloomingdale's flagship store and only a few blocks away from both Fifth Avenue and 57th Street. The Company is in the process of razing the existing buildings which is expected to be completed by April 1999 and is evaluating redevelopment plans for this site, which may include developing a large multi-use building requiring capital in excess of $300,000,000 to be expended. No development decisions have been finalized. In September 1998 the carrying value of the buildings of $15,096,000 were written-off.

Paramus

The Company owns 30.3 acres of land located at the intersection of Routes 4 and 17 in Paramus, New Jersey. The Company's property is located directly across from the Garden State Plaza regional shopping mall, within two miles of three other regional shopping malls and within 10 miles of New York City.

The Company intends to develop a shopping center of approximately 550,000 square feet on this site. The estimated cost of such redevelopment is approximately $100,000,000. The Company has received municipal approvals on tentative plans to redevelop the site. No redevelopment plans have been finalized.

Rego Park II

The Company owns two additional land parcels adjacent to the Rego Park I property. They are the entire square block bounded by the Long Island Expressway, 97th Street, 62nd Drive and Junction Boulevard and a smaller parcel of approximately one-half square block at the intersection of 97th Street and the Long Island Expressway. Both parcels are currently zoned for residential use. Both parcels are being used for public paid parking. The Company intends to continue to use these properties for paid parking while it evaluates the feasibility of having these properties re-zoned for commercial use.

Insurance

The Company carries comprehensive liability, fire, flood, extended coverage and rental loss insurance with respect to its properties with policy specifications and insured limits customarily carried for similar properties. Management of the Company believes that the Company's insurance coverage conforms to industry norms.

Item 3. Legal Proceedings

Neither the Company nor any of its subsidiaries is a party to, nor is their property the subject of, any material pending legal proceeding other than routine litigation incidental to their businesses. The Company believes that these legal actions will not be material to the Company's financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 1998.

Executive Officers of the Company

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

Name	Age	Principal Occupations, Position and Office (current and during the past five years with the Company unless otherwise stated)
Stephen Mann	61	Chairman of the Board of Directors since March 2, 1995; Interim Chairman of the Board of Directors from August, 1994 to March 1, 1995; Chairman of the Clifford Companies since 1990; and, prior thereto, counsel to Mudge Rose Guthrie Alexander & Ferdon, attorneys.
Steven Roth	57	Chief Executive Officer of the Company since March 2, 1995; Chairman of the Board and Chief Executive Officer of Vornado since May 1989; Chairman of Vornado's Executive Committee of the Board since April 1988; and the Managing General Partner of Interstate, an owner of shopping centers and an investor in securities and partnerships.
Joseph Macnow	53	Vice President and Chief Financial Officer of the Company since August 1995; Executive Vice President - Finance and Administration of Vornado since January 1998 and Vice President and Chief Financial Officer of Vornado from 1985 to January 1998.
Brian M. Kurtz	50	Secretary and Treasurer from April 1998 to present; Executive Vice President and Chief Administrative Officer from July 1994 to April 1998 and Senior Vice President and Chief Administrative Officer from March 1993 to July 1994. Mr. Kurtz has been an employee of Vornado since April 1998.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Equity and Related Stockholder Matters

The common stock, par value $1.00 per share, of the Company is traded on the New York Stock Exchange under the symbol "ALX". Set forth below are the high and low sales prices for the Company's common stock for each full quarterly period within the two most recent years:

	High	Low
1st Quarter 1998	$ 95 1/4	$ 86 1/16
2nd Quarter 1998	93 15/16	85 1/2
3rd Quarter 1998	93 1/8	73 3/16
4th Quarter 1998	81 3/16	72 1/8

	High	Low
1st Quarter 1997	$ 79 3/8	$ 62 1/2
2nd Quarter 1997	71 1/4	65
3rd Quarter 1997	82 3/4	70 3/8
4th Quarter 1997	92 3/8	81 3/4

As of December 31, 1998, there were approximately 1800 holders of record of the Company's common stock. The Company pays dividends only if, as and when declared by its Board of Directors. No dividends were paid in 1998 and 1997. In order to qualify as a REIT, the Company generally is required to distribute as a dividend 95% of its taxable income. At December 31, 1998, the Company had net operating loss carryovers ("NOL's") of approximately $163,000,000. Under the Internal Revenue Code of 1986, as amended, the Company's NOL's generally would be available to offset the amount of the Company's REIT taxable income that otherwise would be required to be distributed as a dividend to stockholders.

Item 6. Selected Financial Data

Summary of Selected Financial Data
(Amounts in thousands, except per share data)

	Year Ended December 31,				
	1998	1997	1996	1995	1994
Operating data:					
Total revenues	$ 51,663	$ 25,369	$ 21,833	$ 14,761	$ 13,206
(Loss) income from continuing operations	$ (6,055)(4)	$ 7,466(1)	$ 13,097(2)	$ (7,696)	$ 4,033
Income from discontinued operations	--	--	11,602	10,133	--
Net (loss) income	$ (6,055)	$ 7,466	$ 24,699	$ 2,437	$ 4,033
(Loss) income per common share:(3)					
Continuing operations	$ (1.21)	$ 1.49	$ 2.62	$ (1.54)	$ .81
Discontinued operations	--	--	2.32	2.03	--
Net (loss) income per share	$ (1.21)	$ 1.49	$ 4.94	$ .49	$ .81
Balance sheet data:					
Total assets	$ 317,043	$ 235,074	$ 211,585	$ 198,541	$ 109,419
Real estate	239,157	191,733	181,005	150,435	84,658
Debt	277,113	208,087	192,347	182,883	52,842
Stockholders' equity (deficiency)	6,974	13,029	5,563	(19,136)	(21,573)

1. Includes a gain of $8,914,000 from the condemnation of a portion of the Paramus property net of the write-off of the carrying value of the building of $5,786,000.

2. Includes income from the gain on reversal of the Company's postretirement healthcare liability of $14,372,000.

3. Earnings per share is the same for all years' presented with and without dilution. For further discussion of earnings per share see notes to the consolidated financial statements.

4. Includes the write-off of the carrying value of the Lexington Avenue buildings of $15,096,000.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company had a net loss of $6,055,000 in the year ended December 31, 1998 as compared to net income of $7,466,000 in the prior year. The net loss for 1998 reflects a charge for the write-off of the carrying value of the Company's Lexington Avenue building of $15,096,000. The net income for 1997 reflects a net gain from condemnation proceedings of $8,914,000. Operating income, before depreciation and amortization and the effect of the straight-lining of property rentals for rent escalations, was $23,790,000 in 1998 as compared to $12,471,000 in 1997, an increase of $11,319,000.

Details of the changes in the components of net income are discussed in the comparison of the years ended December 31, 1998 and December 31, 1997 below.

Results of Operations

Continuing Operations - Years Ended December 31, 1998 and December 31, 1997

The Company's revenues, which consist of property rentals, tenant expense reimbursements and equity in income of unconsolidated joint venture were $51,663,000 in 1998, compared to $25,369,000 in 1997, an increase of $26,294,000.

Property rentals were $35,151,000 in 1998, compared to $18,455,000 in 1997, an increase of $16,696,000. This increase resulted from:

	Effective Date	
Rent from new tenants:		
Kings Plaza Regional Shopping Center	October 1997	$ 4,440,000
Rego Park I	March and May 1997	1,391,000
Acquisition of the remaining 50% interest in the Mall	June 1998	4,564,000
Consolidation of Mall operations previously recorded on the equity method	June 1998	4,564,000
Caldor's rejection of its Fordham Road lease	June 1997	(1,609,000)
Parking lot revenue		2,749,000
Other		597,000
		$ 16,696,000

Tenant expense reimbursements were $13,993,000 in 1998, compared to $2,668,000 in 1997, an increase of $11,325,000. This increase reflects (i) corresponding increases in operating expenses passed through to tenants as a result of leases commencing subsequent to March 31, 1997 at the Rego Park I property, (ii) the commencement of operations of the Sears department store at the Kings Plaza Regional Shopping Center and (iii) the acquisition of the remaining 50% interest in the Mall and the resulting consolidation of its operations after June 18, 1998.

The decreases in equity in income of unconsolidated joint venture resulted from the consolidation of the Mall's operations as noted above.

Operating expenses were $20,132,000 in 1998, compared to $7,459,000 in 1997, an increase of $12,673,000. This increase resulted primarily from (i) real estate taxes which previously had been capitalized, being charged to income due to the commencement of operations of the Sears department store at the Kings Plaza Regional Shopping Center and (ii) the acquisition of the remaining 50% interest in the Mall and the resulting consolidation of the Mall's operations after June 18, 1998, partially offset by (iii) a $667,000 charge to bad debt expense in the prior year in connection with Caldor's rejection of its Fordham Road lease.

General and administrative expenses were $4,079,000 in 1998, compared to $3,933,000 in 1997, an increase of $146,000.

Depreciation and amortization expense increased in 1998, compared to 1997 as a result of the Kings Plaza Mall acquisition in June 1998 and the commencement of operations at the Kings Plaza Regional Shopping Center in October 1997.

In September 1998, the Company commenced the process of razing the buildings at its Lexington Avenue property and accordingly, the carrying value of the buildings and related predevelopment costs of $15,096,000 were written-off.

Interest and debt expense was $15,115,000 in 1998, compared to $13,430,000 in 1997, an increase of $1,685,000. Of this increase $1,215,000 resulted from less interest capitalized in 1998 and $470,000 resulted from higher average borrowings.

Interest and other income was $993,000 in 1998, compared to $719,000 in 1997, an increase of $274,000. This increase resulted primarily from an increase in interest income this year due to higher average investments.

In October 1997, Alexander's entered into an agreement, in lieu of condemnation, with the New Jersey Department of Transportation ("DOT") pursuant to which the DOT agreed to buy approximately 9 acres from the Company located on the periphery of its Paramus property for $14,700,000. In connection with this agreement, the Company recorded a gain of $8,914,000 in the fourth quarter of 1997 which reflects the proceeds net of the write-off of the book value of the building.

Continuing Operations - Years Ended December 31, 1997 and December 31, 1996

The Company's revenues, which consist of property rentals, tenant expense reimbursements and equity in income of unconsolidated joint venture were $25,369,000 in 1997, compared to $21,833,000 in 1996, an increase of $3,536,000.

Property rentals were $18,455,000 in 1997, compared to $15,952,000 in 1996, an increase of $2,503,000. This increase resulted primarily from rent from leases commencing at the Rego Park I and Kings Plaza Regional Shopping Center properties in 1997 of $5,143,000, partially offset by the loss of $2,274,000 of rent resulting from Caldor's rejection of its Fordham Road lease in June 1997.

Tenant expense reimbursements were $2,668,000 in 1997, compared to $1,872,000 in 1996, an increase of $796,000. This increase reflects a corresponding increase in operating expenses passed through to tenants as a result of (i) a full year of operations at the Rego Park I property this year compared to ten months in 1996 and (ii) the commencement of operations of the Sears department store at the Kings Plaza Regional Shopping Center.

Equity in income of unconsolidated joint venture (the Kings Plaza Mall) was $4,246,000 in 1997, compared to $4,009,000 in 1996, an increase of $237,000. This increase resulted primarily from an increase in rent from mall tenants of $973,000, partially offset by an accrual of $750,000 (the Company's 50% share) for estimated environmental remediation costs at the site.

Operating expenses were $7,459,000 in 1997, compared to $5,562,000 in 1996, an increase of $1,897,000. This increase resulted primarily from a full year of operations at the Rego Park I property this year compared to ten months last year and the commencement of operations of the Sears department store at the Kings Plaza Regional Shopping Center.

General and administrative expenses were $3,933,000 in 1997, compared to $4,402,000 in 1996, a decrease of $469,000. This decrease resulted primarily from lower professional fees.

Depreciation and amortization expense was $2,714,000 in 1997, compared to $2,128,000 in 1996, an increase of $586,000. This increase resulted primarily from the commencement of operations at the Rego Park I and the Kings Plaza Regional Shopping Center properties.

Interest and debt expense was $13,430,000 in 1997, compared to $13,934,000 in 1996, a decrease of $504,000. This decrease resulted primarily from more interest expense being capitalized on redevelopment projects in 1997, offset by interest on the Rego Park I debt being charged to income for twelve months in 1997 versus ten months in 1996.

Interest and other income, net was $719,000 in 1997 compared to $2,918,000 in 1996, a decrease of $2,199,000. This decrease resulted primarily from the amortization of deferred gains in connection with the Company's postretirement healthcare benefits and refunds in the prior year.

Liquidity and Capital Resources

In the aggregate, Alexander's current operating properties (five of its eight properties) do not generate sufficient cash flow to pay all of its expenses. The Company's three non-operating properties (Lexington Avenue, Paramus, and Rego Park II) are in various stages of redevelopment. As rents commence from a portion of the redevelopment properties, the Company expects that cash flow will become positive.

In June, 1998, the Company increased its interest in the Kings Plaza Mall (the "Mall") to 100% by acquiring Federated Department Store's ("Federated") 50% interest. The purchase price was approximately $28,000,000, which was paid in cash, plus, the Company has agreed to pay Federated $15,000,000 to renovate its Macy's store in the Mall and Federated agreed to certain modifications to the Kings Plaza Operating Agreement.

In connection with the acquisition, the Company completed a $90,000,000 three-year mortgage loan with Union Bank of Switzerland. The loan is collateralized by the Company's interest in the Kings Plaza Regional Shopping Center and bears interest at LIBOR plus 1.25% (currently 6.79%). In addition to funding the acquisition, the proceeds from the borrowing were also used to repay $34,900,000 of debt ($32,000,000 of which was due in the next year). Further, the Company expects to increase this loan by $30,000,000 of which approximately $15,000,000 will be used to partially fund a renovation of the Mall (estimated to cost $30,000,000 in total) and $15,000,000 will be used to pay the liability to Federated noted above.

The Company estimates that capital expenditure requirements for the redevelopment of its Paramus property, will approximate $100,000,000. The Company is evaluating development plans for the Lexington Avenue site, which may include a large multi-use building requiring capital in excess of $300,000,000 to be expended. While the Company anticipates that financing will be available after tenants have been obtained for these redevelopment projects, there can be no assurance that such financing will be obtained or if obtained, that such financings will be on terms that are acceptable to the Company. In addition, it is uncertain as to when these projects will commence.

Property rentals from Caldor, which filed for relief under Chapter 11 of the United States Bankruptcy Code in September 1995, represented approximately 7% and 22% of the Company's consolidated revenues for the years ended December 31, 1998 and 1997. In January 1999, Caldor announced that it is closing all of its stores. Caldor previously sub-leased its Flushing Store from the Company. Caldor rejected the Flushing lease effective March 29, 1999. The annual base rental under the lease was $2,963,000. The loss of property rental payments, if any, could have a material adverse effect on the Company's financial condition and results of operations. Caldor previously rejected its Fordham Road lease effective June 6, 1997 and accordingly, no longer pays rent. The annual base rental under this lease was $3,537,000.

A summary of maturities of debt at December 31, 1998 is as follows:

Year ended December 31,	
1999	$ 85,628,000
2000	86,485,000
2001	90,000,000
2002	--
2003	15,000,000
	$277,113,000

The Company's $75,000,000 loan, collateralized by a mortgage on its Rego Park I property, which was scheduled to mature on September 30, 1998, has been extended to April 30, 1999. The loan bears interest at LIBOR plus 1.00% (currently 6.03%) and is guaranteed by the Company. In connection with the loan extension, the Company paid a fee of 1/8%. The Company is in the final stages of refinancing this loan through the placement of long-term debt and expects to complete the refinancing by April 30, 1999.

In addition, the Company's $65,000,000 loan from a bank and Vornado, which was scheduled to mature in March 1999, has been extended to March 2000. The blended interest rate has been reset from 11.50% to 12.00%.

The Company's $10,000,000 loan, collateralized by a mortgage on its Paramus property, which was scheduled to mature on December 31, 1998 has been extended to June 30, 1999. The Company expects to repay this loan with $2,318,000 of Restricted cash reflected in the balance sheet and proceeds from a construction loan in connection with the redevelopment of the property.

In October 1998, the limited partners, other than Alexander's, of the Seven Thirty One Limited Partnership (the "Partnership"), which owns the Company's Lexington Avenue property, exercised the right to put their remaining 7.64% interest to the Partnership in exchange for a five year $15,000,000 note. The note bears interest at Prime plus 1% (currently 8.75%) and is prepayable without penalty. Alexander's now owns 100% of this Partnership.

The Company estimates that the fair market values of its assets are substantially in excess of their historical cost and that it has additional borrowing capacity. Alexander's continues to evaluate its needs for capital which may be raised through (a) property specific or corporate borrowing, (b) the sale of securities and (c) asset sales.

Although there can be no assurance, the Company believes that these cash sources will be adequate to fund cash requirements until its operations generate adequate cash flow.

Cash Flows

Year Ended December 31, 1998

Cash provided by operating activities of $5,461,000 was comprised of income after adjustments for non-cash items of $10,327,000, net of the change in operating assets and liabilities of $4,866,000. The adjustments for non-cash items are comprised of (i) the write-off of the carrying value of the Lexington Avenue building and related predevelopment costs of $15,096,000 and (ii) depreciation and amortization of $5,715,000, offset by (iii) the effect of straight-lining of rental income of $4,429,000.

Net cash used in investing activities of $40,217,000 was primarily comprised of (i) $28,000,000 for the acquisition of the remaining 50% interest in the Kings Plaza Mall, (ii) the escrowing of cash from the condemnation of a portion of the Paramus property ($2,318,000) and cash from the proceeds from the Kings Plaza Regional Shopping Center loan ($5,212,000) which is restricted as to its use and (iii) capital expenditures of $19,387,000, partially offset by (iv) proceeds from the condemnation of a portion of the Paramus property of $14,700,000.

Net cash provided by financing activities of $47,428,000 was comprised of (i) proceeds from the issuance of debt on the Kings Plaza Regional Center of $90,000,000, offset by (ii) repayments of debt of $39,236,000 and (iii) debt issuance costs of $3,336,000.

Year Ended December 31, 1997

Cash used in operating activities of $1,454,000 for the year ended December 31, 1997, was comprised of: (i) a net loss from operations of $1,448,000 (net income of $7,466,000 less the net gain from the Paramus condemnation of $8,914,000), (ii) a net change in operating assets and liabilities of $2,353,000 and (iii) the payment of liabilities of discontinued operations of $326,000, partially offset by (iv) adjustments for non-cash items of $2,673,000. The adjustments for non-cash items are comprised of depreciation and amortization of $4,494,000, partially offset by the effect of straight-lining of rental income of $1,821,000.

Net cash used in investing activities of $16,877,000 was comprised of additions to real estate of $20,625,000, offset by the use of restricted cash of $3,748,000.

Net cash provided by financing activities of $15,542,000 was comprised of proceeds from the issuance of debt (net of deferred debt expense) of $16,468,000, offset by $926,000 of debt repayments.

Year Ended December 31, 1996

Cash provided by operating activities of $8,574,000 was comprised of net income of $24,699,000 (including income from discontinued operations of $11,602,000), offset by (i) adjustments for non-cash items of $14,023,000 (ii) the payment of liabilities of discontinued operations of $1,175,000, and (iii) the net change in operating assets and liabilities of $927,000. The adjustments for non-cash items are comprised of (i) the reversal of the Company's postretirement healthcare liability of $14,372,000, (ii) the change in other liabilities of discontinued operations of

$2,000,000, and (iii) the effect of straight-lining of rental income of $1,756,000, offset by (iv) depreciation and amortization of $4,105,000.

Net cash used in investing activities of $21,029,000 was comprised of capital expenditures of $32,314,000, offset by the release of cash restricted for both operating liabilities ($9,228,000) and construction financing ($2,057,000).

Net cash provided by financing activities of $9,464,000 was comprised of proceeds from the issuance of construction financing of $10,527,000 on the Rego Park I property, offset by repayments of debt of $1,063,000.

Funds from Operations for the Years Ended December 31, 1998 and 1997

Funds from operations were $7,674,000 in the year ended December 31, 1998, an increase of $8,641,000 over the prior year. The following table reconciles funds from operations and net (loss) income:

	1998	1997
Net (loss) income	$ (6,055,000)	$ 7,466,000
Depreciation and amortization of real property	4,289,000	2,714,000
Straight-lining of property rentals for rent escalations	(4,102,000)	(1,821,000)
Leasing fees paid in excess of expense recognized	(1,994,000)	(2,144,000)
Write-off of the carrying value of the Lexington Avenue buildings and related predevelopment costs	15,096,000	--
Proportionate share of adjustments to equity in income of previously unconsolidated joint venture to arrive at funds from operations	440,000	1,732,000
Net gain from condemnation proceedings	--	(8,914,000)
	$ 7,674,000	$ (967,000)

Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a relevant supplemental measure of operating performance because it provides a basis for comparison among REITs; however, funds from operations may not be comparable to similarly titled measures reported by other REITs since the Company's method of calculating funds from operations is different from that used by NAREIT. Funds from operations, as defined by NAREIT, represents net income before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee expenses. Below are the cash flows provided by (used in) operating, investing and financing activities:

	1998	1997
Operating activities	$ 5,461,000	$ (1,454,000)
Investing activities	$ (40,217,000)	$ (16,877,000)
Financing activities	$ 47,428,000	$ 15,542,000

Year 2000 Issues

The Company is managed by Vornado Realty Trust. Vornado has advised the Company that Vornado initiated its Year 2000 compliance programs and information systems modifications in early 1998 to ensure that its systems and key processes will remain functional. Vornado expects this objective to be achieved either by modifying present systems using existing internal and external programming resources or by installing new systems, and by monitoring supplier and other third-party interfaces. In certain cases, Vornado will be relying on statements from outside vendors as to the Year 2000 readiness of its systems.

The Company is not aware of any operational systems within its control that are not Year 2000 compliant. In the event that a third-party service is interrupted due to a Year 2000 issue, the Company will seek to obtain such service from another third-party provider.

Recently Issued Accounting Standards

In June 1997, the Financial Accounting Standards Board issued Statement No. 130, "Reporting Comprehensive Income". This statement establishes standards for reporting and display of comprehensive income and its components. The Company does not have any other components of income which need to be presented in a reconciliation to Comprehensive Income.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Because the Company does not currently utilize derivatives or engage in hedging activities, management does not anticipate that implementation of this statement will have a material effect on the Company's financial statements.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

The Company has no material exposure to market risk sensitive instruments.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Alexander's, Inc. and Subsidiaries (the "Company") as of December 31, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity (deficiency) and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedules listed in the index at Item 14(a)(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1998, and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 29, 1999

ALEXANDER'S, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(amounts in thousands except share amounts)

	December 31, 1998	December 31, 1997
ASSETS:		
Real estate, at cost:		
Land	$ 83,957	$ 45,571
Buildings, leaseholds and leasehold improvements	149,054	123,612
Capitalized expenses and predevelopment costs	57,675	47,163
Total	290,686	216,346
Less accumulated depreciation and amortization	(51,529)	(35,224)
	239,157	181,122
Investment in unconsolidated joint venture	--	10,611
Real estate, net	239,157	191,733
Cash and cash equivalents	15,363	2,691
Restricted cash	9,402	1,872
Receivable arising from condemnation proceedings	--	14,700
Accounts receivable, net of allowance for doubtful accounts of $841 and $147 in 1998 and 1997	3,303	1,064
Receivable arising from the straight-lining of rents, net	13,036	7,805
Deferred lease and other property costs	27,921	12,443
Deferred debt expense	2,693	783
Other assets	6,168	1,983
TOTAL ASSETS	$ 317,043	$ 235,074

See notes to consolidated financial statements

ALEXANDER'S, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)
(amounts in thousands except share amounts)

	December 31, 1998	December 31, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Debt (including $45,000 due to Vornado Realty Trust)	$ 277,113	$ 208,087
Amounts due to Vornado Realty Trust and its affiliate	5,840	6,888
Accounts payable and accrued liabilities	10,113	4,174
Minority interest	--	600
Other liabilities	17,003	2,296
TOTAL LIABILITIES	310,069	222,045
COMMITMENTS AND CONTINGENCIES (Note 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock: no par value; authorized, 3,000,000 shares; issued, none		
Common stock: $1.00 par value per share; authorized, 10,000,000 shares; issued, 5,173,450 shares	5,174	5,174
Additional capital	24,843	24,843
Deficiency	(22,083)	(16,028)
	7,934	13,989
Less treasury shares, 172,600 shares at cost	(960)	(960)
Total stockholders' equity	6,974	13,029
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 317,043	$ 235,074

See notes to consolidated financial statements

ALEXANDER'S, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands except per share amounts)

	Year Ended December 31,		
	1998	1997	1996
Revenues:			
Property rentals	$ 35,151	$ 18,455	$ 15,952
Expense reimbursements	13,993	2,668	1,872
Equity in income of unconsolidated joint venture	2,519	4,246	4,009
Total revenues	51,663	25,369	21,833
Expenses:			
Operating (including management fee of $1,060, $840 and $840 to Vornado)	20,132	7,459	5,562
General and administrative (including management fee of $2,160 to Vornado in each year)	4,079	3,933	4,402
Depreciation and amortization	4,289	2,714	2,128
Total expenses	28,500	14,106	12,092
Operating income	23,163	11,263	9,741
Interest and debt expense (including interest on loan from Vornado)	(15,115)	(13,430)	(13,934)
Interest and other income, net	993	719	2,918
Write-off of the carrying value of the Lexington Avenue buildings and related predevelopment costs	(15,096)	--	--
Net gain from condemnation proceedings	--	8,914	--
Gain on reversal of liability for post-retirement healthcare benefits	--	--	14,372
(Loss) income from continuing operations	(6,055)	7,466	13,097
Income from discontinued operations	--	--	11,602
NET (LOSS) INCOME	$ (6,055)	$ 7,466	$ 24,699
Net (loss) income per share (basic and diluted):			
Continuing operations	$ (1.21)	$ 1.49	$ 2.62
Discontinued operation	--	--	2.32
Net (loss) income	$ (1.21)	$ 1.49	$ 4.94

See notes to consolidated financial statements.

ALEXANDER'S, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
(amounts in thousands)

	Common Stock	Additional Capital	Deficiency	Treasury Stock	Stockholders' Equity (Deficiency)
Balance, January 1, 1996	$ 5,174	$ 24,843	$ (48,193)	$ (960)	$ (19,136)
Net income	--	--	24,699	--	24,699
Balance, December 31, 1996	5,174	24,843	(23,494)	(960)	5,563
Net income	--	--	7,466	--	7,466
Balance, December 31, 1997	5,174	24,843	(16,028)	(960)	13,029
Net loss	--	--	(6,055)	--	(6,055)
Balance, December 31, 1998	$ 5,174	$ 24,843	$ (22,083)	$ (960)	$ 6,974

See notes to consolidated financial statements.

ALEXANDER'S, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Year Ended December 31,		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income from continuing operations	$ (6,055)	$ 7,466	$ 13,097
Adjustments to reconcile net (loss) income to net cash provided by (used in) continuing operating activities:			
Depreciation and amortization (including debt issuance costs)	5,715	4,494	4,105
Gain on reversal of postretirement healthcare liability	--	--	(14,372)
Straight-lining of rental income, net	(4,429)	(1,821)	(1,756)
Write-off of the carrying value of the Lexington Avenue building and related predevelopment costs	15,096	--	--
Net gain from condemnation proceedings	--	(8,914)	--
Change in assets and liabilities:			
Accounts receivable	(1,935)	(863)	(21)
Distributions (less than) in excess of equity in income of unconsolidated joint venture	(386)	2,002	133
Amounts due to Vornado Realty Trust and its affiliate	(1,048)	(1,905)	(2,094)
Liability for postretirement healthcare benefits	--	--	(1,154)
Accounts payable and accrued liabilities	1,313	(73)	(143)
Other	(2,810)	(1,514)	2,352
Net cash provided by (used in) operating activities of continuing operations	5,461	(1,128)	147
Income from discontinued operations	--	--	11,602
Payment of liabilities of discontinued operations	--	(326)	(1,175)
Change in other liabilities of discontinued operations	--	--	(2,000)
Net cash (used in) provided by discontinued operations	--	(326)	8,427
Net cash provided by (used in) operating activities	5,461	(1,454)	8,574
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Kings Plaza Mall, net of liabilities of $1,905	(28,000)	--	--
Additions to real estate	(19,387)	(20,625)	(32,314)
Collection of condemnation proceeds	14,700	--	--
Cash restricted for construction financing	(5,212)	3,203	2,057
Cash restricted for operating liabilities	(2,318)	545	9,228
Net cash used in investing activities	(40,217)	(16,877)	(21,029)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of debt	90,000	16,667	10,527
Debt repayments	(39,236)	(926)	(1,063)
Deferred debt expense	(3,336)	(199)	--
Net cash provided by financing activities	47,428	15,542	9,464
Net increase (decrease) in cash and cash equivalents	12,672	(2,789)	(2,991)
Cash and cash equivalents at the beginning of the period	2,691	5,480	8,471
Cash and cash equivalents at the end of the period	$ 15,363	$ 2,691	$ 5,480
SUPPLEMENTAL INFORMATION			
Cash payments for interest	$ 21,553	$ 20,729	$ 20,140
Capitalized interest	$ 7,864	$ 9,079	$ 8,552

1998 amounts exclude an increase in real estate of $14,400 and debt of $15,000 and a reduction in minority interest of $600 as a result of the Company acquiring a partnership interest.

See notes to consolidated financial statements.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

Alexander's is a real estate investment trust engaged in the business of leasing, managing, developing and redeveloping real estate properties, focusing on the properties where its department stores (which ceased operations in 1992) formerly operated. Alexander's activities are conducted through its manager, Vornado. The Company's properties are located in mature, densely populated areas in New York City and Paramus, New Jersey.

In the aggregate, Alexander's current operating properties (five of its eight properties) do not generate sufficient cash flow to pay all of its expenses. The Company's three non-operating properties (Lexington Avenue, Paramus, and Rego Park II) are in various stages of redevelopment. As rents commence from a portion of the development properties, the Company expects that cash flow will become positive.

The Company estimates that the fair market values of its assets are substantially in excess of their historical cost, and that it has additional borrowing capacity. Alexander's continues to evaluate its needs for capital, which may be raised through (a) property specific or corporate borrowing, (b) the sale of securities and (c) asset sales. Although there can be no assurance, the Company believes that these cash sources will be adequate to fund cash requirements until its operations generate adequate cash flow.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation -- The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

The consolidated financial statements are prepared in conformity with generally accepted accounting principles. Management has 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 financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents -- The Company includes in cash and cash equivalents both cash and short-term highly liquid investments purchased with original maturities of three months or less. Cash and cash equivalents does not include cash restricted for construction financing and operating liabilities which is disclosed separately.

Fair Value of Financial Instruments - All financial instruments of the Company are reflected in the accompanying Consolidated Balance Sheets at amounts which, in management's estimation, based upon an interpretation of available market information and valuation methodologies (including discounted cash flow analyses with regard to fixed rate debt) are considered appropriate, and reasonably approximate their fair values. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of the Company's financial instruments.

Real Estate and Other Property -- Real estate and other property is carried at cost, net of accumulated depreciation. Depreciation is provided on buildings and improvements on a straight-line basis over their estimated useful lives. When real estate and other property is undergoing development activities, all property operating expenses, including interest expense, are capitalized to the cost of the real property to the extent that management believes such costs are recoverable through the value of the property.

The Company's policy is to assess any impairment in value by making a comparison of the current and projected operating cash flows of each of its properties over its remaining useful life on an undiscounted basis, to the carrying amount of such property. Such carrying amount would be adjusted, if necessary, to reflect an impairment in the value of the asset.

Deferred Lease Expense -- The Company capitalizes the costs incurred in connection with obtaining long-term leases. Deferred lease expense is amortized on the straight-line method over the initial terms of the leases.

Deferred Finance and Debt Expense -- The Company capitalizes the costs incurred in connection with obtaining short-term or long-term debt or refinancing existing debt. These costs are amortized on the straight-line method over the initial terms of the debt, which approximates the interest method.

Leases -- All leases are operating leases whereby rents and reimbursements of operating expenses are recorded as real estate operating revenue. The straight-line basis is used to recognize rents under leases entered into which provide for varying rents over the lease terms.

Income Taxes -- The Company elected, with its federal income tax return for 1995, to be taxed as a real estate investment trust ("REIT") under sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). To qualify for taxation as a REIT, the Company must meet various federal income tax law requirements. In general, a REIT that distributes to its stockholders at least 95% of its taxable income as a dividend for a taxable year and that meets certain other conditions will not be taxed on income distributed that year.

The net basis in the Company's assets and liabilities for tax purposes is approximately $72,000,000 lower than the amount reported for financial statement purposes.

Amounts Per Share -Basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Options outstanding were not dilutive in any period.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. ACQUISITION OF KINGS PLAZA MALL AND RELATED FINANCING TRANSACTIONS

On June 18, 1998, the Company increased its interest in the Kings Plaza Mall (the "Mall") to 100% by acquiring Federated Department Store's ("Federated") 50% interest. The purchase price was approximately $28,000,000, which was paid in cash, plus, the Company has agreed to pay Federated $15,000,000 to renovate its Macy's store in the Mall and Federated agreed to certain modifications to the Kings Plaza Operating Agreement. The Company has accrued this liability as part of "Other liabilities" and the consideration as part of "Deferred lease and other property costs" on the Consolidated Balance Sheet. Prior to June 18, 1998, the Company owned a 50% interest in the Mall (since it was built in 1970) and had accounted for this investment under the equity method. This acquisition was recorded under the purchase method of accounting. The purchase cost was allocated to the acquired assets and assumed liabilities based on the fair value as of the closing date, based on valuations and other studies which are not yet complete. Accordingly, the initial valuation is subject to change as such information is finalized. The Company believes that any such change will not be significant since the allocation was principally to real estate.

In connection with the acquisition, the Company completed a $90,000,000 three-year mortgage loan with Union Bank of Switzerland. The loan is collateralized by the Company's interest in the Kings Plaza Regional Shopping Center and bears interest at LIBOR plus 1.25% (currently 6.79%). In addition to funding the acquisition, the proceeds from the borrowings were also used to repay $34,900,000 of debt ($32,000,000 of which was due in the next year). Further, the Company expects to increase this loan by $30,000,000 of which approximately $15,000,000 will be used to partially fund a renovation of the Mall and $15,000,000 will be used to pay the liability to Federated noted above.

Set forth below is the unaudited pro forma condensed consolidated statements of operations data for the Company for the years ended December 31, 1998 and 1997 as if the acquisition of the Kings Plaza Mall and the related financing transactions had occurred on January 1, 1997.

(Amounts in thousands, except per share amounts)

	Pro Forma For The Year Ended December 31	
	1998	1997
Revenues	$ 63,309	$51,476
Net (loss) income	$ (2,859)	$10,157
Net (loss) income per share - basic and diluted	$ (.57)	$ 2.03

Summary financial information for the Kings Plaza Mall prior to the acquisition is as follows:

	For The Period From January 1, 1998 to June 17, 1998	Year Ended December 31, 1997	1996
Operating revenue	$14,085,000	$30,203,000	$26,530,000
Operating costs	8,481,000	19,040,000	6,511,000
Depreciation and amortization	715,000	1,418,000	1,269,000
Interest expense	283,000	710,000	838,000
	9,479,000	21,168,000	18,618,000
Operating income	$ 4,606,000	$ 9,035,000	$ 7,912,000
Assets	$31,000,000	$33,400,000	$35,400,000
Liabilities	$12,300,000	$15,200,000	$16,300,000

4. DISCONTINUED OPERATIONS

The Company recorded income from discontinued operations of $11,602,000 in 1996, of which $9,602,000 resulted from the settlement of tax certiorari proceedings and $2,000,000 resulted from the reduction of other liabilities of discontinued operations to amounts considered necessary to cover the remaining estimates of these liabilities.

5. DEBT

Debt comprises:

	December 31,	
	1998	1997
First mortgage loan, secured by the Company's Fordham Road property (1)	$ 22,113,000	$ 22,684,000
First mortgage loan, secured by Company's Paramus property (2)	10,000,000	13,591,000
Term loans (3)	65,000,000	75,000,000
Construction loan, secured by the Company's Rego Park I property (4)	75,000,000	75,000,000
Secured note (5)	15,000,000	21,812,000
First mortgage loan, secured by the Company's Kings Plaza Regional Shopping Center (6)	90,000,000	--
	$277,113,000	$208,087,000

(1) The loan bears interest at LIBOR plus 4.25% (9.87% at December 31, 1998) and matures in February 2000. Beginning in 1998, all cash flow of the property (presently zero) after debt service, will further amortize the loan. The loan is prepayable without penalty.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) The loan which was scheduled to mature on December 31, 1998 has been extended to June 30, 1999. The loan bears interest at 2.50% above the one-year U.S. Treasury bill rate (7.65% at December 31, 1998). In March 1998, the Company prepaid $3,591,000 of the loan with a portion of the proceeds from the condemnation of a portion of the property, reducing the principal balance of the loan to $10,000,000.

(3) The term loan which was scheduled to mature in March 1999, has been extended to March 2000. The blended interest rate has been reset from 11.50% to 12.00%. The loan is secured by liens on all of the Company's assets and/or pledges of the stock of subsidiaries owning the assets and/or guarantees of such subsidiaries and the parent, except for the Kings Plaza Regional Shopping Center. These liens are subordinate to first mortgages. The loan is comprised of two separate notes of $45,000,000 to Vornado and $20,000,000 to a bank. During 1998 the Company reduced the principal balance due the bank by $10,000,000. The loan is prepayable quarterly without penalty. Under the terms of the loan, no dividends can be paid unless required to maintain Real Estate Investment Trust ("REIT") status.

(4) The Company's $75,000,000 loan, collateralized by a mortgage on its Rego Park I property, which was scheduled to mature on September 30, 1998, has been extended to April 30, 1999. The loan bears interest at LIBOR plus 1.00% (currently 6.03%) and is guaranteed by the Company. In connection with the loan extension, the Company paid a fee of 1/8%. The Company is in the final stages of refinancing this loan through the placement of long-term debt and expects to complete the refinancing by April 30, 1999.

(5) The $21,812,000 note to the former Alexander's partners in the Lexington Avenue property matured and was repaid during 1998. The note of $15,000,000 as of December 31, 1998 is secured by a third mortgage on the Lexington Avenue property. The note bears annual interest at Prime plus 1% (currently 8.75%) and is prepayable without penalty.

(6) The Company's mortgage loan matures on June 1, 2001 and is secured by a mortgage on the Kings Plaza Regional Shopping Center and guaranteed by the Company. The loan bears interests at LIBOR plus 1.25% (currently 6.79%).

A summary of maturities of debt at December 31, 1998, is as follows:

Year ended December 31,	
1999	$ 85,628,000
2000	86,485,000
2001	90,000,000
2002	--
2003	15,000,000
	$277,113,000

All of the Company's debt is secured by mortgages and/or pledges of the stock of subsidiaries holding the properties. The net carrying value of real estate collateralizing the debt amounted to $239,157,000 at December 31, 1998.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. LEASES

As Lessor

The Company leases properties to tenants. The rental terms for the properties leased range from 10 years to approximately 34 years. The leases provide for the payment of fixed base rentals payable monthly in advance and for the payment by the lessees of additional rents based on a percentage of the tenants' sales as well as reimbursements of real estate taxes, insurance and maintenance.

Future base rental revenue under these noncancellable operating leases is as follows:

Year Ending December 31,	Total Amounts
1999	$ 34,163,000
2000	33,521,000
2001	32,398,000
2002	31,335,000
2003	30,973,000
Thereafter	424,993,000

The following tenants accounted for more than 10% of the Company's consolidated revenues:

	Years Ended December 31,		
	1998	1997	1996
Sears	28%	31%	23%
Caldor	7%	22%	36%

In September 1995, Caldor filed for relief under Chapter 11 of the United States Bankruptcy Code. In January 1999, Caldor announced that it is closing all of its stores. Caldor previously sub-leased its Flushing Store from the Company. Caldor rejected the Flushing lease effective March 29, 1999. The annual base rental under the lease was $2,963,000. The loss of property rental payments, if any, could have a material adverse affect on the Company's financial condition and results of operations. Caldor previously rejected its Fordham Road lease effective June 6, 1997 and accordingly, no longer pays rent. The annual base rental under this lease was $3,537,000.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As Lessee

The Company is a tenant under a long-term lease for the Flushing property which expires on January 31, 2027. Future minimum lease payments under the operating lease are as follows:

Year Ending December 31,	Total Amounts
1999	$ 331,000
2000	331,000
2001	331,000
2002	331,000
2003	331,000
Thereafter	4,693,000

Rent expense was $331,000, $331,000 and $496,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

7. INCOME TAXES

The Company operates in a manner intended to enable it to continue to qualify as a real estate investment trust ("REIT") under sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, the Company's net operating loss ("NOL") carryovers generally would be available to offset the amount of the Company's REIT taxable income that otherwise would be required to be distributed as a dividend to its stockholders.

The Company has reported NOL carryovers for federal tax purposes of approximately $163,000,000 at December 31, 1998, expiring from 2005 to 2012. The Company also had investment tax and targeted jobs tax credits of approximately $3,000,000 expiring in 2002 through 2005.

8. RELATED PARTY TRANSACTIONS

Steven Roth is Chief Executive Officer and a Director of the Company, the Managing General Partner of Interstate Properties ("Interstate") and Chairman of the Board and Chief Executive Officer of Vornado Realty Trust ("Vornado"). Interstate owns 27.1% of the outstanding common stock of the Company and owns 15.2% of the outstanding common shares of beneficial interest of Vornado. In addition, Mr. Roth owns 1.9% of the outstanding common shares of beneficial interest of Vornado. Mr. Roth, Interstate and the other two general partners of Interstate, David Mandelbaum and Russell B. Wight, Jr. (who are also directors of the Company and trustees of Vornado) own, in the aggregate, 21.3% of the outstanding common shares of beneficial interest of Vornado. Vornado owns 29.3% of the outstanding common stock of the Company.

The Company is managed by and its properties are redeveloped and leased by Vornado, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable.

The annual management fee payable by the Company to Vornado is equal to the sum of (i) $3,000,000, (ii) 3% of the gross income from the Kings Plaza Mall, plus (iii) 6% of development costs with minimum guaranteed fees of $750,000 per annum. The leasing agreement provides for the Company to pay a fee to Vornado equal to (i) 3% of the gross proceeds, as defined, from the sale of an asset, and (ii) in the event of a lease or sublease of an asset, 3% of lease rent for the first ten years of a lease term, 2% of lease rent for the eleventh through the twentieth years of a lease term and 1% of lease rent for the twenty-first through thirtieth year of a lease term. Subject to the payment of rents by tenants, the Company owes Vornado $5,145,000 at December 31, 1998. Such amount is payable annually in an amount not to exceed $2,500,000, until the present value of such installments (calculated at a discount rate of 9% per annum) equals the amount that would have been paid had it been paid on September 21, 1993, or at the time the transactions which gave rise to the Commissions occurred, if later.

The Company owes Vornado $45,000,000, the subordinated tranche of a $65,000,000 secured financing. The Company incurred interest on the loan of $6,486,000, $7,214,000 and $7,517,000 for the years ended December 31, 1998, 1997 and 1996, of which $4,008,000, $4,851,000 and $3,989,000 was capitalized. The loan to Vornado Currently bears interest at 14.18%.

9. COMMITMENTS AND CONTINGENCIES

Lexington Avenue

The Company is in the process of razing the existing buildings which is expected to be completed by April 1999 and is evaluating redevelopment plans for this site, which may include developing a large multi-use building requiring capital in excess of $300,000,000 to be expended. No development decisions have been finalized. In September 1998, the carrying value of the buildings and related predevelopment costs of $15,096,000 were written-off.

In June 1997, the Kings Plaza Regional Shopping Center (the "Center"), commissioned an Environmental Study and Contamination Assessment Site Investigation (the Phase II "Study") to evaluate and delineate environmental conditions disclosed in a Phase I study. The results of the Study indicate the presence of petroleum and other hydrocarbons in the soil and groundwater. The Study recommends a remedial approach, but agreement has not yet been reached with the New York State Department of Environmental Conservation ("NYDEC") on the finalization of the approach. The Center has accrued $1,500,000 for its estimated obligation with respect to the clean up of the site, which includes costs of (i) remedial investigation, (ii) feasibility study, (iii) remedial design, (iv) remedial action and (v) professional fees. If the NYDEC insists on a more extensive remediation approach, the Center could incur additional obligations.

Such contamination may have resulted from activities of third parties; however, the sources of the contamination have not been fully identified. Although the Center intends to pursue all available remedies against any potentially responsible third parties, there can be no assurance that such parties will be identified, or if identified, whether these potentially responsible third parties will be solvent. In addition, the costs associated with pursuing any potentially responsible parties may be cost prohibitive. The Center has not recorded an asset as of December 31, 1998 for potential recoveries of environmental remediation costs from other parties.

Letters of Credit

Approximately $3,900,000 in standby letters of credit were issued at December 31, 1998. Of this amount $3,000,000 was cancelled in February 1999.

10. STOCK OPTION PLAN

Under the Omnibus Stock Plan (the "Plan"), approved by the Company's stockholders on May 22, 1996, directors, officers, key employees, employees of Vornado Realty Trust and any other person or entity as designated by the Omnibus Stock Plan Committee are eligible to be granted incentive share options and non-qualified options to purchase common shares. Options granted are at prices equal to 100% of the market price of the Company's shares at the date of grant, vest on a graduated basis, becoming fully vested 60 months after grant and expire ten years after grant. The Plan also provides for the award of Stock Appreciation Rights, Performance Shares and Restricted Stock, as defined, none of which have been awarded as of December 31, 1998.

If compensation cost for Plan awards had been determined based on fair value at the grant dates, net income and income per share would have been reduced to the pro forma amounts below, for the years ended December 31, 1998, 1997 and 1996:

	1998	1997	1996
Net (loss) income:			
As reported	$(6,055,000)	$7,466,000	$24,699,000
Pro-forma	$(8,009,000)	$5,512,000	$24,495,000
Net (loss) income per share applicable to common shareholders:			
As reported	$ (1.21)	$ 1.49	$ 4.94
Pro-forma	$ (1.60)	$ 1.10	$ 4.90

The fair value of each option grant is estimated on the date of grant using the Binomial option-pricing model with the following weighted-average assumptions used for grants in the period ended December 31, 1996 (no options were granted in the years ended December 31, 1998 and 1997):

Expected Volatility	19%
Expected Life	10 years
Risk-free interest rate	5.9%
Expected dividend yield	0%

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the Plan's status, and changes during the years ended December 31, 1998 and 1997, are presented below:

	December 31, 1998		December 31, 1997	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at January 1	350,000	$ 73.88	350,000	73.88
Granted	--	--	--	$ --
Exercised	--	--	--	--
Outstanding at December 31	350,000	$ 73.88	350,000	$ 73.88

The following table summarizes information about options outstanding under the Plan at December 31, 1998:

Exercise price	$ 73.88
Options outstanding:	
Number outstanding at December 31, 1998	350,000
Weighted-average remaining contractual life	7.9 Years
Weighted-average exercise price	$ 73.88
Options exercisable:	
Number exercisable at December 31, 1998	140,000
Weighted-average exercise price	$ 73.88

Shares available for future grant at December 31, 1998 were 700,000.

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted (loss) earnings per share:

	December 31, 1998	1997	1996
Numerator:			
(Loss) income from continuing operations	$(6,055,000)	$ 7,466,000	$13,097,000
Denominator:			
Denominator for basic (loss) earnings per share - weighted average shares	5,000,850	5,000,850	5,000,850
Effect of dilutive securities:			
Employee stock options	--	8,302	--
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	5,000,850	5,009,152	5,000,850
Basic and diluted (loss) earnings per share	$ (1.21)	$ 1.49	$ 2.62

ALEXANDER'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)
(amounts in thousands except per share amounts)

	Year Ended December 31, 1998				Year Ended December 31, 1997			
	Quarter Ended				Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Total Revenues	$ 8,007	$ 9,473	$ 16,201	$ 17,982	$ 5,998	$ 6,761	$ 6,016	$ 6,594
Net (loss) income	$ 922	$ 1,116	$(11,942)(2)	$ 3,849	$ (208)	$ 183	$ (135)	$ 7,626(3)
(Loss) income per common share (basic and diluted) (1)	$ .18	$ .22	$(2.39)	$ .77	$ (.04)	$ .04	$ (.03)	$ 1.52

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

(2) Includes the write-off of the carrying value of the Lexington Avenue buildings of $15,096,000.

(3) Includes gain of $8,914,000 from the condemnation of a portion of the Paramus property net of the write-off of the carrying value of the buildings of $5,786,000.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information relating to directors and executive officers of the Company will be contained in a definitive Proxy Statement involving the election of directors which the Company will file with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, not later than 120 days after December 31, 1998, and such information is incorporated herein by reference. Information relating to Executive Officers of the Registrant appears on page 11 of this Annual Report on Form 10-K.

Item 11. Executive Compensation

Information relating to executive compensation will be contained in the Proxy Statement referred to above in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information relating to security ownership of certain beneficial owners and management will be contained in the Proxy Statement referred to in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information relating to certain relationships and related transactions will be contained in the Proxy Statement referred to in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as part of this Report

1. The consolidated financial statements are set forth in Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules.

The following financial statement schedules should be read in conjunction with the financial statements included in item 8 of this Annual Report on Form 10-K.

	Pages in this Annual Report on Form 10-K
Schedule III - Real Estate and Accumulated Depreciation	42

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

3. Exhibits

See Exhibit Index on page 44

(b) Reports on Form 8-K

During the last quarter of the period covered by this Annual Report on Form 10-K, no reports on Form 8-K were filed.

SIGNATURES

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

ALEXANDER'S, INC.

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

Date: March 29, 1999

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

Signature	Title	Date
/s/ Steven Roth Steven Roth	Chief Executive Officer and Director (Principal Executive Officer)	March 29, 1999
/s/ Thomas R. DiBenedetto Thomas R. DiBenedetto	Director	March 29, 1999
/s/ Michael D. Fascitelli	Director	March 29, 1999
/s/ David Mandelbaum David Mandelbaum	Director	March 29, 1999
/s/ Stephen Mann Stephen Mann	Director	March 29, 1999
/s/ Arthur I. Sonnenblick Arthur I. Sonnenblick	Director	March 29, 1999
/s/ Neil Underberg Neil Underberg	Director	March 29, 1999
/s/ Richard West Richard West	Director	March 29, 1999
/s/ Russell B. Wight, Jr. Russell B. Wight, Jr.	Director	March 29, 1999

ALEXANDER'S, INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1998
(amounts in thousands)

	Column A	Column B	Column C	Column D	Column E		Column F	Column G
Description	Encumbrances	Land	Initial Cost to Company (2) Building, Leaseholds and Leasehold Improvements	Cost Capitalized Subsequent to Acquisition(3)	Gross Amount at which Carried at Close of Period- Land	Buildings, Leasehold and Leaseholds Improvements	Capitalized Expenses and Pre-development Costs	Total(3)
Commercial Property: New York City, New York:								
Fordham Rd.	$ 22,113	$ 2,301	$ 9,258	--	$ 2,301	$ 9,258	--	$ 11,559
Third Avenue	--	1,201	4,437	--	1,201	4,437	--	5,638
Rego Park I	75,000	1,647	8,953	$56,794	1,647	65,747	--	67,394
Rego Park II	--	3,906	1,467	428	3,906	1,566	$ 329	5,801
Flushing	--	--	1,660	--	--	1,660	--	1,660
Lexington Ave.	15,000	14,432	12,355	67,536	48,379	--	45,944	94,323
Flatbush Ave. and Avenue U	90,000	497	9,542	79,026	24,483	64,582	--	89,065
Total New York	202,113	23,984	47,672	203,784	81,917	147,250	46,273	275,440
New Jersey - Paramus	10,000	1,441	--	8,528	1,441	--	8,528	9,969
Other Properties	--	599	1,804	2,874	599	1,804	2,874	5,277
Other secured debt	65,000(1)							
TOTAL	$277,113	$26,024	$49,476	$215,186	$ 83,957	$149,054	$57,675	$290,686

	Column H	Column I	Column J	
Description	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired(2)	Life on Which Depreciation in Latest Income Statement is Computed
Commercial Property: New York City, New York:				
Fordham Rd.	$ 6,878	1933	1992	4-40 years
Third Avenue	3,112	1928	1992	13 years
Rego Park I	12,199	1959	1992	6-40 years
Rego Park II	1,450	1965	1992	5-39 years
Flushing	1,660	1975(4)	1992	10-22 years
Lexington Ave.	--	--	1992	--
Flatbush Ave. and Avenue U	24,424	1970	1992	20-40 years
Total New York	49,723			
New Jersey - Paramus	--	--	1992	--
Other Properties	1,806	Various	1992	7-25 years
Other secured debt				
TOTAL	$51,529			

(1) The loan, which was scheduled to mature in March 1999, has been extended to March 2000. The loan is secured by liens on all of the Company's assets and/or pledges of the stock of subsidiaries owning the assets and/or guarantees of such subsidiaries and the parent, except for the Kings Plaza Regional Shopping Center. These liens are subordinate to first mortgages.

(2) Initial cost is as of May 15, 1992 (the date on which the Company

commenced real estate operations) unless acquired subsequent to that date. See Column J.

(3) The net basis in the Company's assets and liabilities for tax purposes is approximately $72,000,000 lower than the amount reported for financial statement purposes.

(4) Date represents lease acquisition date.

ALEXANDER'S, INC. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
(amounts in thousands)

	December 31, 1998	December 31, 1997
REAL ESTATE:		
Balance at beginning of period	$ 216,346	$ 207,767
Additions during the period:		
Buildings, leaseholds and leasehold improvements	16,117	16,569
Acquisition of remaining 50% interest in the Kings Plaza Mall (the "Acquisition")	29,905	
Reclassification of 50% investment of joint venture due to the Acquisition	31,453	--
Capitalized expenses and predevelopment costs	15,715	4,056
	309,536	228,392
Less: Write-off of the Paramus property	--	(12,046)
Write-off Lexington Avenue buildings	(18,850)	--
Balance at end of period	$ 290,686	$ 216,346
ACCUMULATED DEPRECIATION:		
Balance at beginning of period	$ 35,224	$ 39,375
Reclassification of 50% investment of joint venture due to the Acquisition	16,955	--
Additions charged to operating expenses	3,104	2,109
	55,283	41,484
Less: Write-off of the Paramus property	--	(6,260)
Write-off of the Lexington Avenue buildings	(3,754)	--
Balance at end of period	$ 51,529	$ 35,224

Index to Exhibits

The following is a list of all exhibits filed as part of this Report:

Exhibit No.	Document	Page
3(i)	Certificate of Incorporation, as amended. Incorporated herein by reference * from Exhibit 3.0 to the Registrant's Current Report on Form 8-K dated September 21, 1993.	
3(ii)	By-laws, as amended. Incorporated herein by reference from Exhibit 3.1 * to the Registrants Form 10-Q for the quarter ended September 30, 1996.	
10(i)(A)(1)	Agreement, dated as of December 4, 1985, among Seven Thirty One Limited Partnership ("731 Limited Partnership"), Alexander's Department Stores of Lexington Avenue, Inc., the Company, Emanuel Gruss, Riane Gruss and Elizabeth Goldberg (collectively, the "Partners"). Incorporated herein by reference from Exhibit 10(i)(F)(1) to the Registrant's Form 10-K for the fiscal year ended July 26, 1986.	*
10(i)(A)(2)	Amended and Restated Agreement of Limited Partnership in the 731 Limited Partnership, dated as of August 21, 1986, among the Partners. Incorporated herein by reference from Exhibit 1 to the Registrant's Current Report on Form 8-K, dated August 21, 1986.	*
10(i)(A)(3)	Third Amendment to Amended and Restated Agreement of Limited Partnership dated December 30, 1994, among the Partners. Incorporated herein by reference from Exhibit 10(i)(A)(3) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994.	*
10(i)(B)(1)	Promissory Note Modification Agreement, dated October 4, 1993, between Alexander's Department Stores of New Jersey, Inc. and New York Life Insurance Company ("New York Life"). Incorporated herein by reference from Exhibit 10(i)(3)(a) to the Registrant's Form 10-K for the Transition Period August 1, 1993 to December 31, 1993.	*
10(i)(B)(2)	Mortgage Modification Agreement, dated October 4, 1993, by Alexander's Department Stores of New Jersey, Inc. and New York Life Incorporated herein by reference from Exhibit 10(i)(E)(3)(a) to the Registrant's Form 10-K for the Transition Period August 1, 1993 to December 31, 1993.	*
10(i)(C)	Credit Agreement, dated March 15, 1995, among the Company and Vornado Lending Corp. Incorporated herein by reference from Exhibit 10(i)(C) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994.	*
10(i)(D)	Credit Agreement, dated March 15, 1995, among the Company and First Union Bank, National Association. Incorporated herein by reference from Exhibit 10(i)(D) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994.	*

- ----------
* Incorporated by reference

Exhibit No.	Document	Page
10(i)(E)	Building Loan Agreement, dated as of March 29, 1995, among the Company, Union Bank of Switzerland ("UBS") (New York Branch), as Lender, and UBS (New York Branch), as Agent. Incorporated by reference from Exhibit 10(i)(E) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994.	*
10(i)(F)	Project Loan Agreement, dated as of March 29,1995, among the Company, UBS (New York Branch), as Lender, and UBS (New York Branch), as Agent. Incorporated herein by reference from Exhibit 10(i)(F) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994.	*
10(i)(G)(1)	Real Estate Retention Agreement dated as of July 20, 1992, between Vornado Realty Trust and Keen Realty Consultants, Inc., each as special real estate consultants, and the Company. Incorporated herein by reference from Exhibit 10(i)(O) to the Registrant's Form 10-K for the fiscal year ended July 25, 1992.	*
10(i)(G)(2)	Extension Agreement to the Real Estate Retention Agreement, dated as of February 6, 1995, between the Company and Vornado Realty Trust. Incorporated herein by reference from Exhibit 10(i)(G)(2) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994.	*
10(i)(H)	Management and Development Agreement, dated as of February 6, 1995, between Vornado Realty Trust and the Company, on behalf of itself and each subsidiary listed therein. Incorporated herein by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated February 6, 1995.	*
10(i)(I)	Commitment letter, dated as of February 6, 1995, between Vornado Realty Trust and the Company. Incorporated herein by reference from Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated February 6, 1995.	*
10(ii)(A)(1)	Agreement of Lease, dated April 22, 1966, between S&E Realty Company and Alexander's Department Stores of Valley Stream, Inc. Incorporated herein by reference from Exhibit 13N to the Registrant's Registration Statement on Form S-1 (Registration No. 2-29780).	*
10(ii)(A)(2)	Guarantee, dated April 22, 1966, of the Lease described as Exhibit 10(ii)(A)(1) above by Alexander's Department Stores, Inc. Incorporated herein by reference from Exhibit 13N(1) to the Registrant's Registration Statement on Form S-1 (Registration No. 2-29780).	*
10(ii)(A)(3)	Agreement of Lease for Rego Park, Queens, New York, between Alexander's, Inc. and Sears Roebuck & Co. Incorporated herein by reference from Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1994.	*

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* Incorporated by reference

Exhibit No.	Document	Page
10(ii)(A)(4)(a)	Lease for Roosevelt Avenue, Flushing, New York, dated as of December 1, 1992, between the Company, as landlord, and Caldor, as tenant. Incorporated herein by reference from Exhibit 10(ii)(E)(7) to the Registrant's Form 10-K for the fiscal year ended July 25, 1992.	*
10(ii)(A)(4)(b)	First Amendment to Sublease for Roosevelt Avenue, Flushing, New York, dated as of February 22, 1995 between the Company, as sublandlord, and Caldor, as tenant. Incorporated herein by reference from Exhibit 10(ii)(A)(8)(b) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994.	*
10(ii)(A)(5)	Lease Agreement, dated March 1, 1993 by and between the Company and Alex Third Avenue Acquisition Associates. Incorporated by reference from Exhibit 10(ii)(F) to the Registrant's Form 10-K for the fiscal year ended July 31, 1993.	*
10(ii)(A)(6)	Agreement of Lease for Rego Park, Queens, New York, between the Company and Marshalls of Richfield, MN., Inc., dated as of March 1, 1995. Incorporated herein by reference from Exhibit 10(ii)(A)(12)(a) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994.	*
10(ii)(A)(7)	Guaranty, dated March 1, 1995, of the Lease described in Exhibit 10(ii)(A)(12)(a) above by the Company. Incorporated herein by reference from Exhibit 10(ii)(A)(12)(b) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994.	*
10(iii)(B)	Employment Agreement, dated February 9, 1995, between the Company and Stephen Mann. Incorporated herein by reference from Exhibit 10(iii)(B) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994.	*
10(iv)(A)	Registrant's Omnibus Stock Plan, as amended, dated May 28, 1997. Incorporated herein by reference from Exhibit 10 to the Registrant's Form 10-Q for the fiscal quarter ended June 30, 1997.	*
12	Consolidated Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Stock Dividend Requirements.	48
13	Not applicable.	
16	Not applicable.	
18	Not applicable.	
19	Not applicable.	
21	Subsidiaries of Registrant.	49
22	Not applicable.	
23	Consent by independent auditors to incorporation by reference.	50

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*   Incorporated by reference

Exhibit No.	Document	Page
25	Not applicable.	
27	Financial Data Schedule.	51
29	Not applicable.	

EXHIBIT 12

ALEXANDER'S, INC.

CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES

(amounts in thousands except ratios)

	Year Ended December 31, 1998	December 31, 1997	December 31, 1996	December 31, 1995	December 31, 1994
(Loss) income from continuing operations before reversal of deferred taxes	$ (6,055)(2)	$ 7,466(3)	$ 13,097(4)	$ (9,102)	$ 4,033
Fixed charges (1)	16,651	13,749	14,464	13,607	4,228
Income from continuing operation before income taxes and fixed charges	$ 10,596	$ 21,215	$ 27,561	$ 4,505	$ 8,261
Fixed charges:					
Interest and debt expense	$ 16,541	$ 13,639	$ 14,299	$ 13,442	$ 4,063
1/3 of rent expense - interest factor	110	110	165	165	165
	16,651	13,749	14,464	13,607	4,228
Capitalized interest	7,864	9,079	8,552	6,575	1,718
	$ 24,515	$ 22,828	$ 23,016	$ 20,182	$ 5,946
Ratio of earnings to fixed charges	--	--	1.20	--	1.39
Deficiency in earnings available to cover fixed charges	$ (13,919)(4)	$ (1,613)(2)	--	$ (15,677)	--

Notes:

(1) For purposes of this calculation, earnings before fixed charges consist of earnings plus fixed charges. Fixed charges consist of interest expense on all indebtedness (including amortization of debt issuance costs) from continuing operations and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third of operating lease rentals). Fixed charges does not include any interest paid to unsecured creditors or charged against the reserve from discontinued operations. Fixed charges also does not include any interest expensed or capitalized during the period the Company was in the retail business (prior to 5/15/92) except for its share of the Kings Plaza Mall interest expense.

(2) Includes write-off of the carrying value of the Lexington Avenue buildings of $15,096,000.

(3) Includes a gain of $8,914,000 from the condemnation of a portion of the Paramus property net of the write-off of the carrying value of the building of $5,786,000, without which the Company would have a deficiency in earnings to cover fixed charges of $10,527,000.

(4) Includes gain of $14,372,000 from the reversal of the Company's postretirement healthcare liability without which the Company would have a deficiency in earnings to cover fixed charges of $9,827,000.

EXHIBIT 21

ALEXANDER'S, INC.

SUBSIDIARIES OF REGISTRANT

Alexander's of Brooklyn, Inc.
Alexander's of Fordham Road, Inc.
Alexander's Rego Park Center, Inc.
Alexander's of Rego Park, Inc.
Alexander's of Rego Park II, Inc.
Alexander's of Rego Park III, Inc.
Alexander's of Third Avenue, Inc.
Alexander's of Flushing, Inc.
Alexander's Department Stores of New Jersey, Inc.
Alexander's Department Stores of Lexington Avenue, Inc.
Alexander's Department Stores of Brooklyn, Inc.
U & F Realty Corp.
ADMO Realty Corp.
Ownreal Inc.
Sakraf Wine & Liquor Store, Inc.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation in Amendment No. 3 to Registration Statement No. 33-62779 on Form S-3 of our report dated March 29, 1999, appearing in this Annual Report on Form 10-K of Alexander's, Inc. for the year ended December 31, 1998.

Parsippany, New Jersey
March 29, 1999

This schedule contains summary financial information extracted from the
Company's audited financial statements for the year ended December 31, 1998 and
is qualified in its entirety by reference to such financial statements.

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12-MOS
DEC-31-1998
DEC-31-1998
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(6,055)
(1.21)
(1.21)