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

(Mark one)

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

For the quarterly period ended: **June 30, 2017**

Or

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

For the transition period from: ______________ **to** ______________

Commission File Number: **001-06064**

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 Number)
210 Route 4 East, Paramus, New Jersey	**07652**
(Address of principal executive offices)	(Zip Code)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☑ Yes ☐ No

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

☑ Large Accelerated Filer	☐ Accelerated Filer
☐ Non-Accelerated Filer (Do not check if smaller reporting company)	☐ Smaller Reporting Company
	☐ Emerging Growth Company

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

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

As of July 31, 2017, there were 5,107,290 shares of common stock, par value $1 per share, outstanding.

ALEXANDER'S, INC.

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PART I. FINANCIAL INFORMATION
Item 1. ***Financial Statements***

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

ASSETS	June 30, 2017	December 31, 2016
Real estate, at cost:		
Land	$ 44,971	$ 44,971
Buildings and leasehold improvements	987,507	985,800
Development and construction in progress	3,071	2,780
Total	1,035,549	1,033,551
Accumulated depreciation and amortization	(266,624)	(252,737)
Real estate, net	768,925	780,814
Cash and cash equivalents	466,456	288,926
Restricted cash	84,567	85,752
Marketable securities	31,077	37,918
Tenant and other receivables, net of allowance for doubtful accounts of $1,870 and $1,473, respectively	2,776	3,056
Receivable arising from the straight-lining of rents	176,861	179,010
Deferred leasing costs, net, including unamortized leasing fees to Vornado of $35,163 and $36,960, respectively	46,106	48,387
Other assets	53,487	27,367
	$ 1,630,255	$ 1,451,230

LIABILITIES AND EQUITY	June 30, 2017	December 31, 2016
Mortgages payable, net of deferred debt issuance costs	$ 1,239,729	$ 1,052,359
Amounts due to Vornado	551	897
Accounts payable and accrued expenses	41,865	42,200
Other liabilities	2,915	2,929
Total liabilities	1,285,060	1,098,385
Commitments and contingencies		
Preferred stock: $1.00 par value per share; authorized, 3,000,000 shares; issued and outstanding, none	-	-
Common stock: $1.00 par value per share; authorized, 10,000,000 shares; issued, 5,173,450 shares; outstanding, 5,107,290 and, 5,106,196 shares, respectively	5,173	5,173
Additional capital	31,577	31,189
Retained earnings	307,848	308,995
Accumulated other comprehensive income	965	7,862
	345,563	353,219
Treasury stock: 66,160 shares and 67,254 shares respectively, at cost	(368)	(374)
Total equity	345,195	352,845
	$ 1,630,255	$ 1,451,230

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
REVENUES				
Property rentals	$ 38,264	$ 38,878	$ 76,537	$ 75,531
Expense reimbursements	18,926	18,127	37,882	37,032
Total revenues	57,190	57,005	114,419	112,563
EXPENSES				
Operating, including fees to Vornado of $1,091, $1,048, $2,219 and $2,309, respectively	20,744	19,334	41,665	38,988
Depreciation and amortization	8,138	9,367	16,183	17,700
General and administrative, including management fees to Vornado of $595 and $1,190 in each three and six month period, respectively	1,696	1,825	2,852	3,060
Total expenses	30,578	30,526	60,700	59,748
OPERATING INCOME	26,612	26,479	53,719	52,815
Interest and other income, net	1,297	775	2,024	1,866
Interest and debt expense	(7,255)	(5,455)	(13,415)	(10,861)
Income before income taxes	20,654	21,799	42,328	43,820
Income tax benefit (expense)	6	(32)	(1)	(34)
Net income	$ 20,660	$ 21,767	$ 42,327	$ 43,786
Net income per common share – basic and diluted	$ 4.04	$ 4.26	$ 8.28	$ 8.56
Weighted average shares outstanding – basic and diluted	5,115,320	5,113,844	5,115,012	5,113,461
Dividends per common share	$ 4.25	$ 4.00	$ 8.50	$ 8.00

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Net income	$ 20,660	$ 21,767	$ 42,327	$ 43,786
Other comprehensive (loss) income:				
Change in unrealized net gain on available-for-sale securities	(3,394)	3,292	(6,841)	2,515
Change in value of interest rate cap	(112)	27	(56)	43
Comprehensive income	$ 17,154	$ 25,086	$ 35,430	$ 46,344

See notes to consolidated financial statements (unaudited).

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

	Common Stock		Additional	Retained	Accumulated Other Comprehensive	Treasury	Total
	Shares	Amount	Capital	Earnings	Income	Stock	Equity
Balance, December 31, 2015	5,173	$ 5,173	$ 30,739	$ 304,340	$ 13,002	$ (374)	$ 352,880
Net income	-	-	-	43,786	-	-	43,786
Dividends paid	-	-	-	(40,905)	-	-	(40,905)
Change in unrealized net gain on available-for-sale securities	-	-	-	-	2,515	-	2,515
Change in value of interest rate cap	-	-	-	-	43	-	43
Deferred stock unit grants	-	-	450	-	-	-	450
Balance, June 30, 2016	5,173	$ 5,173	$ 31,189	$ 307,221	$ 15,560	$ (374)	$ 358,769
Balance, December 31, 2016	5,173	$ 5,173	$ 31,189	$ 308,995	$ 7,862	$ (374)	$ 352,845
Net income	-	-	-	42,327	-	-	42,327
Dividends paid	-	-	-	(43,474)	-	-	(43,474)
Change in unrealized net gain on available-for-sale securities	-	-	-	-	(6,841)	-	(6,841)
Change in value of interest rate cap	-	-	-	-	(56)	-	(56)
Deferred stock unit grants	-	-	394	-	-	-	394
Other	-	-	(6)	-	-	6	-
Balance, June 30, 2017	5,173	$ 5,173	$ 31,577	$ 307,848	$ 965	$ (368)	$ 345,195

See notes to consolidated financial statements (unaudited).

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

	Six Months Ended June 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	**2017**	**2016**
Net income	$ 42,327	$ 43,786
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including amortization of debt issuance costs	17,334	18,981
Straight-lining of rental income	2,149	910
Stock-based compensation expense	394	450
Changes in operating assets and liabilities:		
Tenant and other receivables, net	280	1,495
Other assets	(26,191)	(34,112)
Amounts due to Vornado	(319)	(1,607)
Accounts payable and accrued expenses	(155)	2,851
Other liabilities	(14)	(15)
Net cash provided by operating activities	35,805	32,739
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress and real estate additions	(2,205)	(11,146)
Net cash used in investing activities	(2,205)	(11,146)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt repayments	(301,819)	(1,687)
Proceeds from borrowing	500,000	-
Dividends paid	(43,474)	(40,905)
Debt issuance costs	(11,962)	(16)
Net cash provided by (used in) financing activities	142,745	(42,608)
Net increase (decrease) in cash and cash equivalents and restricted cash	176,345	(21,015)
Cash and cash equivalents and restricted cash at beginning of period	374,678	344,656
Cash and cash equivalents and restricted cash at end of period	$ 551,023	$ 323,641
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at beginning of period	$ 288,926	$ 259,349
Restricted cash at beginning of period	85,752	85,307
Cash and cash equivalents and restricted cash at beginning of period	$ 374,678	$ 344,656
Cash and cash equivalents at end of period	$ 466,456	$ 235,753
Restricted cash at end of period	84,567	87,888
Cash and cash equivalents and restricted cash at end of period	$ 551,023	$ 323,641
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	$ 11,758	$ 9,496
NON-CASH TRANSACTIONS		
Liability for real estate additions, including $27 and $74 for development fees due to Vornado in 2017 and 2016, respectively	$ 115	$ 1,401
Write-off of fully amortized and/or depreciated assets	4,265	1,591
Change in unrealized net gain on available-for-sale securities	(6,841)	2,515

See notes to consolidated financial statements (unaudited).

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

1. Organization

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

2. Basis of Presentation

The accompanying consolidated financial statements are unaudited and include the accounts of Alexander's and its consolidated subsidiaries. All intercompany amounts have been eliminated. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. These condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission (the "SEC") and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC.

We have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the operating results for the full year.

We operate in one reportable segment.

3. Recently Issued Accounting Literature

In May 2014, the Financial Accounting Standards Board ("FASB") issued an update ("ASU 2014-09") establishing Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). ASU 2014-09, as amended by subsequent ASUs on the topic, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. This standard, which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2017, requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. When adopting this standard, we are permitted to use either the full retrospective method or the modified retrospective method. We will adopt this standard effective as of January 1, 2018 and currently expect to utilize the modified retrospective method of adoption. We have progressed with our project plan for adopting this standard, including gathering and evaluating the inventory of our revenue streams. We expect this standard will have an impact on the presentation of certain lease and non-lease components of revenue from leases upon the adoption of the update ("ASU 2016-02") *Leases* with no impact on "total revenues." We also expect this standard will have an impact on the timing of gains on certain sales of real estate. We are continuing to evaluate the impact of this standard on our consolidated financial statements.

In January 2016, the FASB issued an update ("ASU 2016-01") *Recognition and Measurement of Financial Assets and Financial Liabilities* to ASC Topic 825*, Financial Instruments*. ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. While the adoption of this standard requires us to continue to measure "marketable securities" at fair value at each reporting date, the changes in fair value will be recognized in current period earnings as opposed to "other comprehensive income."

3. Recently Issued Accounting Literature – continued

In February 2016, the FASB issued an update ASU 2016-02 establishing ASC Topic 842, *Leases*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase. Lessees are required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. Lessees will recognize expense based on the effective interest method for finance leases or on a straight-line basis for operating leases. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the overall impact of the adoption of ASU 2016-02 on our consolidated financial statements, including the timing of adopting this standard. ASU 2016-02 will more significantly impact the accounting for leases in which we are a lessee. Upon adoption of this standard, we will be required to record a right-of-use asset and lease liability for our Flushing property ground lease, equal to the present value of the remaining minimum lease payments. We also expect that this standard will have an impact on the presentation of certain lease and non-lease components of revenue from leases with no impact on "total revenues." In particular, items such as reimbursable real estate taxes and insurance expenses, will be presented in "property rentals" and non-lease components, such as certain reimbursable operating expenses, will be presented in "expense reimbursements" on our consolidated statements of income.

In March 2016, the FASB issued an update ("ASU 2016-09") *Improvements to Employee Share-Based Payment Accounting* to ASC Topic 718, *Compensation – Stock Compensation* ("ASC 718"). ASU 2016-09 amends several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. The adoption of this update as of January 1, 2017, did not have any impact on our consolidated financial statements.

In August 2016, the FASB issued an update ("ASU 2016-15") *Classification of Certain Cash Receipts and Cash Payments* to ASC Topic 230, *Statement of Cash Flows*. ASU 2016-15 clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows to reduce diversity in practice with respect to (i) debt prepayment or debt extinguishment costs, (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions, and (viii) separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted. We elected to early adopt ASU 2016-15 effective January 1, 2017. The adoption of this update did not have a material impact on our consolidated financial statements.

In November 2016, the FASB issued an update ("ASU 2016-18") *Restricted Cash* to ASC Topic 230, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning of period and end of period balances on the statement of cash flows upon adoption of this standard. ASU 2016-18 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted. We elected to early adopt ASU 2016-18 effective January 1, 2017, with retrospective application to our consolidated statements of cash flows. Accordingly, the consolidated statements of cash flows present a reconciliation of the changes in cash and cash equivalents and restricted cash. Restricted cash primarily consists of cash held in a non-interest bearing escrow account in connection with our Rego Park I 100% cash collateralized mortgage, as well as security deposits and other cash escrowed under loan agreements for debt service, real estate taxes, property insurance and capital improvements.

3. Recently Issued Accounting Literature – continued

In February 2017, the FASB issued an update ("ASU 2017-05") *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* to ASC Subtopic 610-20, *Other Income–Gains and Losses from the Derecognition of Nonfinancial Assets*. ASU 2017-05 clarifies the scope of recently established guidance on nonfinancial asset derecognition as well as the accounting for partial sales of nonfinancial assets. This update conforms the derecognition guidance on nonfinancial assets with the model for transactions in ASC 606. ASU 2017-05 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. We expect to utilize the modified retrospective method of adoption. The adoption of this standard is not expected to have an impact on our consolidated financial statements.

4. Related Party Transactions

Vornado

As of June 30, 2017, Vornado owned 32.4% of our outstanding common stock. We are managed by, and our properties are leased and developed by, Vornado, pursuant to the agreements described below, which expire in March of each year and are automatically renewable.

Management and Development Agreements

We pay Vornado an annual management fee equal to the sum of (i) $2,800,000, (ii) 2% of gross revenue from the Rego Park II shopping center, (iii) $0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue and (iv) $306,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue. Vornado is also entitled to a development fee equal to 6% of development costs, as defined.

Leasing Agreements

Vornado also provides us with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through the twentieth year of a lease term, and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by tenants. In the event third-party real estate brokers are used, the fees to Vornado increase by 1% and Vornado is responsible for the fees to the third-party real estate brokers. Vornado is also entitled to a commission upon the sale of any of our assets equal to 3% of gross proceeds, as defined, for asset sales less than $50,000,000 and 1% of gross proceeds, as defined, for asset sales of $50,000,000 or more.

Other Agreements

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

4. Related Party Transactions – continued

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

(Amounts in thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Company management fees	$ 700	$ 700	$ 1,400	$ 1,400
Development fees	4	75	32	119
Leasing fees	4	833	15	7,291
Property management fees and payments for cleaning and security services	953	915	1,941	2,030
	$ 1,661	$ 2,523	$ 3,388	$ 10,840

As of June 30, 2017, the amounts due to Vornado were $27,000 for development fees; $523,000 for management, property management, cleaning and security fees; and $1,000 for leasing fees. As of December 31, 2016, the amounts due to Vornado were $54,000 for development fees; $428,000 for management, property management, cleaning and security fees; and $415,000 for leasing fees. In January 2016, we paid an $8,916,000 leasing commission related to the Bloomberg lease amendment, of which $7,200,000 was to a third party broker and $1,716,000 was to Vornado. In March 2016, we paid Vornado a development fee of $5,784,000 related to The Alexander apartment tower.

Toys "R" Us ("Toys")

As of June 30, 2017, our affiliate, Vornado owned 32.5% of Toys. Toys leases approximately 47,000 square feet of retail space at our Rego Park II shopping center. Joseph Macnow, Vornado's Executive Vice President and Chief Financial Officer and Wendy A. Silverstein, a member of our Board of Directors, represent Vornado as members of Toys' Board of Directors. We recognized $1,334,000 and $1,309,000 of revenue related to the space leased by Toys during the six months ended June 30, 2017 and 2016, respectively.

5. Marketable Securities

As of June 30, 2017 and December 31, 2016, we owned 535,265 common shares of The Macerich Company ("Macerich") (NYSE: MAC). These shares have an economic cost of $56.05 per share, or $30,000,000 in the aggregate. As of June 30, 2017 and December 31, 2016, the fair value of these shares was $31,077,000 and $37,918,000, respectively, based on Macerich's closing share price of $58.06 per share and $70.84 per share, respectively. These shares are included in "marketable securities" on our consolidated balance sheets and are classified as available-for-sale. Available-for-sale securities are presented at fair value and unrealized gains and losses resulting from the mark-to-market of these securities are included in "other comprehensive (loss) income."

6. Significant Tenants

Bloomberg L.P. ("Bloomberg") accounted for revenue of $52,187,000 and $52,217,000 for the six months ended June 30, 2017 and 2016, respectively, representing approximately 46% of our total revenues in each period. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition. In order to assist us in our continuing assessment of Bloomberg's creditworthiness, we receive certain confidential financial information and metrics from Bloomberg. In addition, we access and evaluate financial information regarding Bloomberg from other private sources, as well as publicly available data.

7. Stock-Based Compensation

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

In May 2017, we granted each of the members of our Board of Directors 183 DSUs with a grant date fair value of $56,250 per grant, or $394,000 in the aggregate. The DSUs entitle the holders to receive shares of the Company's common stock without the payment of any consideration. The DSUs vested immediately and accordingly, were expensed on the date of grant, but the shares of common stock underlying the DSUs are not deliverable to the grantee until the grantee is no longer serving on the Company's Board of Directors. As of June 30, 2017, there were 8,692 DSUs outstanding and 497,095 shares were available for future grant under the Plan.

8. Mortgages Payable

In June 2017, we completed a $500,000,000 refinancing of the office portion of 731 Lexington Avenue. The interest-only loan is at LIBOR plus 0.90% and matures in June 2020, with four one-year extension options. In connection therewith, we purchased an interest rate cap with a notional amount of $500,000,000 that caps LIBOR at a rate of 6.0%. The property was previously encumbered by a $300,000,000 interest-only mortgage at LIBOR plus 0.95% which was scheduled to mature in March 2021.

The following is a summary of our outstanding mortgages payable as of June 30, 2017 and December 31, 2016.

(Amounts in thousands)	Maturity[1]	Interest Rate at June 30, 2017	Balance at June 30, 2017	Balance at December 31, 2016
First mortgages secured by:				
Rego Park I shopping center (100% cash collateralized)[2]	Mar. 2018	0.35%	$ 78,246	$ 78,246
Paramus	Oct. 2018	2.90%	68,000	68,000
Rego Park II shopping center[3]	Nov. 2018	3.08%	258,082	259,901
731 Lexington Avenue, retail space[4]	Aug. 2022	2.48%	350,000	350,000
731 Lexington Avenue, office space[5]	Jun. 2024	2.06%	500,000	300,000
Total			1,254,328	1,056,147
Deferred debt issuance costs, net of accumulated amortization of $3,710 and $6,824 respectively			(14,599)	(3,788)
			$ 1,239,729	$ 1,052,359

(1) Represents the extended maturity where we have the unilateral right to extend.
(2) Extended in March 2016 for two years.
(3) Interest at LIBOR plus 1.85%.
(4) Interest at LIBOR plus 1.40%.
(5) Interest at LIBOR plus 0.90%.

9. Fair Value Measurements

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

9. Fair Value Measurements – continued

Financial Assets and Liabilities Measured at Fair Value

Financial assets measured at fair value on our consolidated balance sheets as of June 30, 2017 and December 31, 2016, consist of marketable securities, which are presented in the table below based on their level in the fair value hierarchy, and an interest rate cap, which fair value was insignificant as of June 30, 2017 and December 31, 2016. There were no financial liabilities measured at fair value as of June 30, 2017 and December 31, 2016.

	As of June 30, 2017			
(Amounts in thousands)	Total	Level 1	Level 2	Level 3
Marketable securities	$ 31,077	$ 31,077	$ -	$ -

	As of December 31, 2016			
(Amounts in thousands)	Total	Level 1	Level 2	Level 3
Marketable securities	$ 37,918	$ 37,918	$ -	$ -

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash equivalents and mortgages payable. Cash equivalents are carried at cost, which approximates fair value due to their short-term maturities. The fair value of our mortgages payable is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist. The fair value of cash equivalents is classified as Level 1 and the fair values of mortgages payable are classified as Level 2. The table below summarizes the carrying amounts and fair value of these financial instruments as of June 30, 2017 and December 31, 2016.

	As of June 30, 2017		As of December 31, 2016	
(Amounts in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash equivalents	$ 431,280	$ 431,280	$ 256,370	$ 256,370
Liabilities:				
Mortgages payable (excluding deferred debt issuance costs)	$ 1,254,328	$ 1,245,000	$ 1,056,147	$ 1,045,000

10. Commitments and Contingencies

Insurance

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

10. Commitments and Contingencies – continued

Fifty Ninth Street Insurance Company, LLC ("FNSIC"), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ("NBCR") acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2020. Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a $293,000 deductible and 17% of the balance of a covered loss, and the Federal government is responsible for the remaining 83% of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

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

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

Tenant Matters

In April 2017, Sears closed its 195,000 square foot store it leases from us at our Rego Park I property. Annual revenue, including reimbursements, is approximately $10,337,000, under a lease which expires in March of 2021. In its 2016 annual report on Form 10-K, Sears indicated that substantial doubt exists related to its ability to continue as a going concern. There is a straight-line rent receivable of approximately $4,460,000 and unamortized deferred leasing costs of approximately $468,000 on our consolidated balance sheet as of June 30, 2017 which we will continue to assess for recoverability.

Rego Park I Litigation

On June 24, 2014, Sears Roebuck and Co. ("Sears") filed a lawsuit in the Supreme Court of the State of New York against Vornado and us (and certain of our subsidiaries) with regard to space that Sears leases at our Rego Park I property alleging that the defendants are liable for harm that Sears has suffered as a result of (a) water intrusions into the premises, (b) two fires in February 2014 that caused damages to those premises, and (c) alleged violations of the Americans with Disabilities Act in the premises' parking garage. Sears asserted various causes of actions for damages and sought to compel compliance with landlord's obligations to repair the premises and to provide security, and to compel us to abate a nuisance that Sears claims was a cause of the water intrusions into its premises. In addition to injunctive relief, Sears sought, among other things, damages of not less than $4 million and future damages it estimated would not be less than $25 million. In March 2016, Sears withdrew its claim for future damages leaving a remaining claim for property damages, which we estimate to be approximately $650,000 based on information provided by Sears. We intend to defend the remaining claim vigorously. The amount or range of reasonably possible losses, if any, is not expected to be greater than $650,000.

Paramus

In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a purchase option in 2021 for $75,000,000. The property is encumbered by a $68,000,000 interest-only mortgage loan with a fixed rate of 2.90%, which matures in October 2018. The annual triple-net rent is the sum of $700,000 plus the amount of debt service on the mortgage loan. If the purchase option is exercised, we will receive net cash proceeds of approximately $7,000,000 and recognize a gain on sale of land of approximately $60,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years would include debt service sufficient to fully amortize $68,000,000 over the remaining 20-year lease term.

Letters of Credit

Approximately $2,074,000 of standby letters of credit were outstanding as of June 30, 2017.

10. Commitments and Contingencies – continued

Other

On October 15, 2015, the New York City Department of Finance ("NYC DOF") issued a Notice of Determination to us assessing an additional $22,070,000 of transfer taxes (including interest and penalties as of June 30, 2017) in connection with the sale of Kings Plaza Regional Shopping Center in November 2012. We believe that the NYC DOF's claim is without merit and intend to vigorously contest this assessment. We have determined that the likelihood of a loss related to this issue is not probable and, after consultation with legal counsel, that the outcome of this assessment is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

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

11. Earnings Per Share

The following table sets forth the computation of basic and diluted income per share. Basic income per share is determined using the weighted average shares of common stock outstanding during the period. Diluted income per share is determined using the weighted average shares of common stock outstanding during the period, and assumes all potentially dilutive securities were converted into common shares at the earliest date possible. There were no potentially dilutive securities outstanding during the three and six months ended June 30, 2017 and 2016.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except share and per share amounts)	2017	2016	2017	2016
Net income	$ 20,660	$ 21,767	$ 42,327	$ 43,786
Weighted average shares outstanding – basic and diluted	5,115,320	5,113,844	5,115,012	5,113,461
Net income per common share – basic and diluted	$ 4.04	$ 4.26	$ 8.28	$ 8.56

12. Subsequent Event

On July 28, 2017, we entered into a participation and servicing agreement with the lender on our Rego Park II shopping center loan. We invested $200,000,000 as a participant in the loan, receiving interest of LIBOR plus 1.60%, currently 2.83%. The loan matures in November 2018.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying consolidated balance sheet of Alexander's, Inc. and subsidiaries (the "Company") as of June 30, 2017, and the related consolidated statements of income and comprehensive income for the three and six month periods ended June 30, 2017 and 2016, and changes in equity and cash flows for the six month periods ended June 30, 2017 and 2016. These interim financial statements are the responsibility of the Company's management.

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

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Alexander's, Inc. and subsidiaries as of December 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended (not presented herein); and in our report dated February 13, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2016 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
July 31, 2017

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

Certain statements contained in this Quarterly Report constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Our future results, financial condition, results of operations and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans," "would," "may" or other similar expressions in this Quarterly Report on Form 10-Q. These forward-looking statements represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. For a further discussion of factors that could materially affect the outcome of our forward-looking statements, see "Item 1A—Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly, any revisions to our forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

Management's Discussion and Analysis of Financial Condition and Results of Operations include a discussion of our consolidated financial statements for the three and six months ended June 30, 2017 and 2016. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the operating results for the full year.

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2016 in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 2 – Summary of Significant Accounting Policies" to the consolidated financial statements included therein. There have been no significant changes to these policies during 2017.

Overview

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

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

Quarter Ended June 30, 2017 Financial Results Summary

Net income for the quarter ended June 30, 2017 was $20,660,000, or $4.04 per diluted share, compared to $21,767,000, or $4.26 per diluted share for the quarter ended June 30, 2016. Funds from operations ("FFO") for the quarter ended June 30, 2017 was $28,667,000, or $5.60 per diluted share, compared to $30,999,000, or $6.06 per diluted share for the quarter ended June 30, 2016. Net income and FFO for the quarter ended June 30, 2016 included rental income of $2,257,000, or $0.44 per diluted share, resulting from a tenant lease termination at our Rego Park II property in June 2016. Net income for the quarter ended June 30, 2016 also included additional depreciation and amortization of tenant improvements and deferred leasing costs of $1,077,000, or $0.21 per diluted share, related to this lease termination.

Six Months Ended June 30, 2017 Financial Results Summary

Net income for the six months ended June 30, 2017 was $42,327,000, or $8.28 per diluted share, compared to $43,786,000, or $8.56 per diluted share for the six months ended June 30, 2016. FFO for the six months ended June 30, 2017 was $58,248,000, or $11.39 per diluted share, compared to $61,249,000, or $11.98 per diluted share for the six months ended June 30, 2016. Net income and FFO for the six months ended June 30, 2016 included rental income of $2,257,000, or $0.44 per diluted share, resulting from a tenant lease termination at our Rego Park II property in June 2016. Net income for the six months ended June 30, 2016 also included additional depreciation and amortization of tenant improvements and deferred leasing costs of $1,077,000, or $0.21 per diluted share, related to this lease termination.

Square Footage, Occupancy and Leasing Activity

As of June 30, 2017, our portfolio was comprised of seven properties aggregating 2,437,000 square feet and was 99.4% occupied.

Financing

In June 2017, we completed a $500,000,000 refinancing of the office portion of 731 Lexington Avenue. The interest-only loan is at LIBOR plus 0.90% and matures in June 2020, with four one-year extension options. In connection therewith, we purchased an interest rate cap with a notional amount of $500,000,000 that caps LIBOR at a rate of 6%. The property was previously encumbered by a $300,000,000 interest-only mortgage at LIBOR plus 0.95% which was scheduled to mature in March 2021.

Significant Tenants

Bloomberg L.P. ("Bloomberg") accounted for revenue of $52,187,000 and $52,217,000 for the six months ended June 30, 2017 and 2016, respectively, representing approximately 46% of our total revenues in each period. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition. In order to assist us in our continuing assessment of Bloomberg's creditworthiness, we receive certain confidential financial information and metrics from Bloomberg. In addition, we access and evaluate financial information regarding Bloomberg from other private sources, as well as publicly available data.

Results of Operations – Three Months Ended June 30, 2017, compared to June 30, 2016

Property Rentals

Property rentals were $38,264,000 in the quarter ended June 30, 2017, compared to $38,878,000 in the prior year's quarter, a decrease of $614,000. This decrease is primarily due to rental income of $2,257,000 in the prior year's quarter resulting from a tenant lease termination at our Rego Park II property in June 2016, partially offset by higher rental income of $1,401,000 from The Alexander apartment tower, which was placed in service in phases beginning July 2015 and leased up to stabilization in September 2016.

Expense Reimbursements

Tenant expense reimbursements were $18,926,000 in the quarter ended June 30, 2017, compared to $18,127,000 in the prior year's quarter, an increase of $799,000. This increase was primarily due to higher reimbursable real estate taxes and higher reimbursable operating expenses.

Operating Expenses

Operating expenses were $20,744,000 in the quarter ended June 30, 2017, compared to $19,334,000 in the prior year's quarter, an increase of $1,410,000. This increase was primarily due to higher real estate taxes.

Depreciation and Amortization

Depreciation and amortization was $8,138,000 in the quarter ended June 30, 2017, compared to $9,367,000 in the prior year's quarter, a decrease of $1,229,000. This decrease was primarily due to additional depreciation and amortization of tenant improvements and deferred leasing costs of $1,077,000 in the prior year's quarter related to a tenant lease termination at our Rego Park II property in June 2016.

General and Administrative Expenses

General and administrative expenses were $1,696,000 in the quarter ended June 30, 2017, compared to $1,825,000 in the prior year's quarter, a decrease of $129,000. This decrease was primarily due to lower directors' fees and stock-based compensation expense as a result of having one less member on our Board of Directors than in the prior year's quarter.

Interest and Other Income, net

Interest and other income, net was $1,297,000 in the quarter ended June 30, 2017, compared to $775,000 in the prior year's quarter, an increase of $522,000. This increase was primarily due to higher interest income of $431,000 of which $391,000 was from higher average interest rates and $40,000 was from higher average investment balances.

Interest and Debt Expense

Interest and debt expense was $7,255,000 in the quarter ended June 30, 2017, compared to $5,455,000 in the prior year's quarter, an increase of $1,800,000. This increase was primarily due to additional interest expense of $1,590,000 due to higher average LIBOR and $248,000 resulting from the refinancing of the office portion of 731 Lexington Avenue in June 2017 for $500,000,000 at LIBOR plus 0.90% (previously a $300,000,000 loan at LIBOR plus 0.95%).

Income Taxes

Income tax benefit was $6,000 in the quarter ended June 30, 2017, compared to income tax expense of $32,000 in the prior year's quarter.

Results of Operations – Six Months Ended June 30, 2017, compared to June 30, 2016

Property Rentals

Property rentals were $76,537,000 in the six months ended June 30, 2017, compared to $75,531,000 in the prior year's six months, an increase of $1,006,000. This increase is primarily due to higher rental income of $3,528,000 from The Alexander apartment tower, which was placed in service in phases beginning July 2015 and leased up to stabilization in September 2016, partially offset by income of $2,257,000 in the prior year's six months resulting from a tenant lease termination at our Rego Park II property in June 2016.

Expense Reimbursements

Tenant expense reimbursements were $37,882,000 in the six months ended June 30, 2017, compared to $37,032,000 in the prior year's six months, an increase of $850,000. This increase was primarily due to higher reimbursable real estate taxes.

Operating Expenses

Operating expenses were $41,665,000 in the six months ended June 30, 2017, compared to $38,988,000 in the prior year's six months, an increase of $2,677,000. This increase was primarily due to higher real estate taxes.

Depreciation and Amortization

Depreciation and amortization was $16,183,000 in the six months ended June 30, 2017, compared to $17,700,000 in the prior year's six months, a decrease of $1,517,000. This decrease was primarily due to additional depreciation and amortization of tenant improvements and deferred leasing costs of $1,077,000 in the prior year's six months related to a tenant lease termination at our Rego Park II property in June 2016.

General and Administrative Expenses

General and administrative expenses were $2,852,000 in the six months ended June 30, 2017, compared to $3,060,000 in the prior year's six months, a decrease of $208,000. This decrease was primarily due to lower directors' fees and stock-based compensation expense as a result of having one less member on our Board of Directors than in the prior year's six months.

Interest and Other Income, net

Interest and other income, net was $2,024,000 in the six months ended June 30, 2017, compared to $1,866,000 in the prior year's six months, an increase of $158,000. This increase was primarily due to higher interest income of $592,000 of which $563,000 was from higher average interest rates and $29,000 was from higher average investment balances. In addition, the prior year's six months included income of $367,000 from a cost reimbursement settlement with a retail tenant at our 731 Lexington Avenue property.

Interest and Debt Expense

Interest and debt expense was $13,415,000 in the six months ended June 30, 2017, compared to $10,861,000 in the prior year's six months, an increase of $2,554,000. This increase was primarily due to additional interest expense of $2,369,000 due to higher average LIBOR and $248,000 resulting from the refinancing of the office portion of 731 Lexington Avenue in June 2017 for $500,000,000 at LIBOR plus 0.90% (previously a $300,000,000 loan at LIBOR plus 0.95%).

Income Taxes

Income tax expense was $1,000 in the six months ended June 30, 2017, compared to $34,000 in the prior year's six months.

Liquidity and Capital Resources

Cash Flows

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

Six Months Ended June 30, 2017

Cash and cash equivalents and restricted cash were $551,023,000 as of June 30, 2017, compared to $374,678,000 as of December 31, 2016, an increase of $176,345,000. This increase resulted from (i) $142,745,000 of net cash provided by financing activities and (ii) $35,805,000 of net cash provided by operating activities, partially offset by (iii) $2,205,000 of net cash used in investing activities.

Net cash provided by operating activities of $35,805,000 was comprised of net income of $42,327,000, adjustments for non-cash items of $19,877,000 and the net change in operating assets and liabilities of $26,399,000 (primarily due to prepaid real estate taxes). The adjustments for non-cash items were comprised of (i) depreciation and amortization (including amortization of debt issuance costs) of $17,334,000, (ii) straight-lining of rental income of $2,149,000 and (iii) stock-based compensation expense of $394,000.

Net cash used in investing activities of $2,205,000 was comprised of construction in progress and real estate additions.

Net cash provided by financing activities of $142,745,000 was primarily comprised of (i) $500,000,000 of proceeds from the refinancing of the office portion of 731 Lexington Avenue, partially offset by (ii) debt repayments of $301,819,000 (primarily the repayment of the former loan on the office portion of 731 Lexington Avenue) and (iii) dividends paid of $43,474,000.

Liquidity and Capital Resources – continued

Six Months Ended June 30, 2016

Cash and cash equivalents and restricted cash were $323,641,000 as of June 30, 2016, compared to $344,656,000 as of December 31, 2015, a decrease of $21,015,000. This decrease resulted from (i) $42,608,000 of net cash used in financing activities and (ii) $11,146,000 of net cash used in investing activities, partially offset by (iii) $32,739,000 of net cash provided by operating activities.

Net cash provided by operating activities of $32,739,000 was comprised of net income of $43,786,000, adjustments for non-cash items of $20,341,000 and the net change in operating assets and liabilities of $31,388,000 (primarily due to prepaid real estate taxes). The adjustments for non-cash items were comprised of (i) depreciation and amortization (including amortization of debt issuance costs) of $18,981,000, (ii) straight-lining of rental income of $910,000 and (iii) stock-based compensation expense of $450,000.

Net cash used in investing activities of $11,146,000 was comprised of construction in progress and real estate additions primarily due to The Alexander apartment tower, including the payment of a development fee to Vornado of $5,784,000.

Net cash used in financing activities of $42,608,000 was primarily comprised of dividends paid of $40,905,000.

Commitments and Contingencies

Insurance

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

Fifty Ninth Street Insurance Company, LLC (“FNSIC”), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological (“NBCR”) acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2020. Coverage for acts of terrorism (including NBCR acts) is up to $1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a $293,000 deductible and 17% of the balance of a covered loss, and the Federal government is responsible for the remaining 83% of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

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

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

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Liquidity and Capital Resources – continued

Rego Park I Litigation

On June 24, 2014, Sears Roebuck and Co. ("Sears") filed a lawsuit in the Supreme Court of the State of New York against Vornado and us (and certain of our subsidiaries) with regard to space that Sears leases at our Rego Park I property alleging that the defendants are liable for harm that Sears has suffered as a result of (a) water intrusions into the premises, (b) two fires in February 2014 that caused damages to those premises, and (c) alleged violations of the Americans with Disabilities Act in the premises' parking garage. Sears asserted various causes of actions for damages and sought to compel compliance with landlord's obligations to repair the premises and to provide security, and to compel us to abate a nuisance that Sears claims was a cause of the water intrusions into its premises. In addition to injunctive relief, Sears sought, among other things, damages of not less than $4 million and future damages it estimated would not be less than $25 million. In March 2016, Sears withdrew its claim for future damages leaving a remaining claim for property damages, which we estimate to be approximately $650,000 based on information provided by Sears. We intend to defend the remaining claim vigorously. The amount or range of reasonably possible losses, if any, is not expected to be greater than $650,000.

Paramus

In 2001, we leased 30.3 acres of land located in Paramus, New Jersey to IKEA Property, Inc. The lease has a purchase option in 2021 for $75,000,000. The property is encumbered by a $68,000,000 interest-only mortgage loan with a fixed rate of 2.90%, which matures in October 2018. The annual triple-net rent is the sum of $700,000 plus the amount of debt service on the mortgage loan. If the purchase option is exercised, we will receive net cash proceeds of approximately $7,000,000 and recognize a gain on sale of land of approximately $60,000,000. If the purchase option is not exercised, the triple-net rent for the last 20 years would include debt service sufficient to fully amortize $68,000,000 over the remaining 20-year lease term.

Letters of Credit

Approximately $2,074,000 of standby letters of credit were outstanding as of June 30, 2017.

Other

On October 15, 2015, the New York City Department of Finance ("NYC DOF") issued a Notice of Determination to us assessing an additional $22,070,000 of transfer taxes (including interest and penalties as of June 30, 2017) in connection with the sale of Kings Plaza Regional Shopping Center in November 2012. We believe that the NYC DOF's claim is without merit and intend to vigorously contest this assessment. We have determined that the likelihood of a loss related to this issue is not probable and, after consultation with legal counsel, that the outcome of this assessment is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

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

Funds from Operations ("FFO")

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

FFO for the Three and Six Months Ended June 30, 2017 and 2016

FFO for the quarter ended June 30, 2017 was $28,667,000, or $5.60 per diluted share, compared to $30,999,000, or $6.06 per diluted share for the prior year's quarter.

FFO for the six months ended June 30, 2017 was $58,248,000, or $11.39 per diluted share, compared to $61,249,000, or $11.98 per diluted share for the prior year's six months.

The following table reconciles our net income to FFO:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except share and per share amounts)	2017	2016	2017	2016
Net income	$ 20,660	$ 21,767	$ 42,327	$ 43,786
Depreciation and amortization of real property	8,007	9,232	15,921	17,463
FFO	$ 28,667	$ 30,999	$ 58,248	$ 61,249
FFO per diluted share	$ 5.60	$ 6.06	$ 11.39	$ 11.98
Weighted average shares used in computing FFO per diluted share	5,115,320	5,113,844	5,115,012	5,113,461

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

(Amounts in thousands, except per share amounts)	2017 June 30, Balance	2017 Weighted Average Interest Rate	2017 Effect of 1% Change in Base Rates	2016 December 31, Balance	2016 Weighted Average Interest Rate
Variable Rate	$ 1,108,082	2.43%	$ 11,081	$ 909,901	2.08%
Fixed Rate	146,246	1.54%	-	146,246	1.54%
	$ 1,254,328	2.33%	$ 11,081	$ 1,056,147	2.01%
Total effect on diluted earnings per share			$ 2.17		

As of June 30, 2017 we have an interest rate cap with a notional amount of $500,000,000 that caps LIBOR at a rate of 6.0%.

Fair Value of Debt

The fair value of our mortgages payable is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist. As of June 30, 2017 and December 31, 2016, the estimated fair value of our mortgages payable was $1,245,000,000 and $1,045,000,000, respectively. Our fair value estimates, which are made at the end of the reporting period, may be different from the amounts that may ultimately be realized upon the disposition of our financial instruments.

Item 4. Controls and Procedures

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

For a discussion of the litigation concerning our Rego Park I property, see "Part I – Financial Information, Item 1 – Financial Statements, Note 10 – Commitments and Contingencies."

Item 1A. Risk Factors

There have been no material changes in our "Risk Factors" as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On July 28, 2017, we entered into a participation and servicing agreement with the lender on our Rego Park II shopping center loan. We invested $200,000,000 as a participant in the loan, receiving interest of LIBOR plus 1.60%, currently 2.83%. The loan matures in November 2018.

Item 6. Exhibits

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

SIGNATURES

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

ALEXANDER'S, INC.
(Registrant)

Date: July 31, 2017

By: /s/ Matthew Iocco
Matthew Iocco
Chief Financial Officer (duly authorized officer and principal financial and accounting officer)

EXHIBIT INDEX

Exhibit No.		
10.1	-	Loan Agreement, dated as of June 1, 2017, between 731 Office One LLC, as Borrower, and Deutsche Bank AG, New York Branch and Citigroup Global Markets Realty Corp. collectively, as Lender
15.1	-	Letter regarding unaudited interim financial information
31.1	-	Rule 13a-14 (a) Certification of the Chief Executive Officer
31.2	-	Rule 13a-14 (a) Certification of the Chief Financial Officer
32.1	-	Section 1350 Certification of the Chief Executive Officer
32.2	-	Section 1350 Certification of the Chief Financial Officer
101.INS	-	XBRL Instance Document
101.SCH	-	XBRL Taxonomy Extension Schema
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase
101.LAB	-	XBRL Taxonomy Extension Label Linkbase
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase