

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

(Mark one)



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

For the quarterly period ended: September 30, 2021

Or



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

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

Commission File Number: 001-06064

ALEXANDERS INC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0100517

(I.R.S. Employer Identification Number)

210 Route 4 East, Paramus, New Jersey

(Address of principal executive offices)

07652

(Zip Code)

(201) 587-8541

(Registrant's telephone number, including area code)

N/A

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

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

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

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

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

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

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

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

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

As of October 29, 2021, 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	September 30, 2021	December 31, 2020
Real estate, at cost:		
Land	\$ 44,804	\$ 44,971
Buildings and leasehold improvements	1,013,011	1,014,311
Development and construction in progress	18,945	11,761
Total	1,076,760	1,071,043
Accumulated depreciation and amortization	(364,290)	(350,122)
Real estate, net	712,470	720,921
Cash and cash equivalents	448,913	428,710
Restricted cash	20,858	21,167
Marketable securities	9,435	6,024
Tenant and other receivables	6,619	8,116
Receivable arising from the straight-lining of rents	137,863	145,274
Deferred leasing costs, net, including unamortized leasing fees to Vornado of \$24,633 and \$27,851, respectively	32,265	36,524
Other assets	45,163	37,402
	<u>\$ 1,413,586</u>	<u>\$ 1,404,138</u>
LIABILITIES AND EQUITY		
Mortgages payable, net of deferred debt issuance costs	\$ 1,157,263	\$ 1,156,170
Amounts due to Vornado	2,092	1,516
Accounts payable and accrued expenses	53,200	35,342
Other liabilities	6,720	7,882
Total liabilities	<u>1,219,275</u>	<u>1,200,910</u>
Commitments and contingencies		
Preferred stock: \$1.00 par value per share; authorized, 3,000,000 shares; issued and outstanding, none	—	—
Common stock: \$1.00 par value per share; authorized, 10,000,000 shares; issued, 5,173,450 shares; outstanding, 5,107,290 shares	5,173	5,173
Additional capital	33,415	32,965
Retained earnings	152,186	166,165
Accumulated other comprehensive income (loss)	3,905	(707)
	194,679	203,596
Treasury stock: 66,160 shares, at cost	(368)	(368)
Total equity	<u>194,311</u>	<u>203,228</u>
	<u>\$ 1,413,586</u>	<u>\$ 1,404,138</u>

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
REVENUES				
Rental revenues	\$ 48,950	\$ 43,499	\$ 156,491	\$ 143,087
EXPENSES				
Operating, including fees to Vornado of \$1,536, \$1,177, \$4,585 and \$3,795, respectively	(21,433)	(22,448)	(68,655)	(63,979)
Depreciation and amortization	(9,008)	(7,587)	(25,682)	(23,129)
General and administrative, including management fees to Vornado of \$595 and \$1,785 in each three and nine month period, respectively	(1,272)	(1,386)	(4,638)	(4,948)
Total expenses	(31,713)	(31,421)	(98,975)	(92,056)
Interest and other income, net	157	220	480	2,473
Interest and debt expense	(5,124)	(4,463)	(15,350)	(19,208)
Change in fair value of marketable securities	(869)	(1,231)	3,411	(10,789)
Net gain on sale of real estate	—	—	9,124	—
Net income	<u>\$ 11,401</u>	<u>\$ 6,604</u>	<u>\$ 55,181</u>	<u>\$ 23,507</u>
Net income per common share - basic and diluted	<u>\$ 2.22</u>	<u>\$ 1.29</u>	<u>\$ 10.77</u>	<u>\$ 4.59</u>
Weighted average shares outstanding - basic and diluted	<u>5,124,478</u>	<u>5,122,206</u>	<u>5,123,321</u>	<u>5,120,490</u>

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 11,401	\$ 6,604	\$ 55,181	\$ 23,507
Other comprehensive income (loss):				
Change in fair value of interest rate derivatives	165	(14)	4,612	7
Comprehensive income	<u>\$ 11,566</u>	<u>\$ 6,590</u>	<u>\$ 59,793</u>	<u>\$ 23,514</u>

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands, except per share amounts)

	Common Stock		Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares	Amount					
Three Months Ended September 30, 2021							
Balance, June 30, 2021	5,173	\$ 5,173	\$ 33,415	\$ 163,845	\$ 3,740	\$ (368)	\$ 205,805
Net income	—	—	—	11,401	—	—	11,401
Dividends paid (\$4.50 per common share)	—	—	—	(23,060)	—	—	(23,060)
Change in fair value of interest rate derivatives	—	—	—	—	165	—	165
Balance, September 30, 2021	5,173	\$ 5,173	\$ 33,415	\$ 152,186	\$ 3,905	\$ (368)	\$ 194,311
Three Months Ended September 30, 2020							
Balance, June 30, 2020	5,173	\$ 5,173	\$ 32,965	\$ 187,229	\$ (28)	\$ (368)	\$ 224,971
Net income	—	—	—	6,604	—	—	6,604
Dividends paid (\$4.50 per common share)	—	—	—	(23,050)	—	—	(23,050)
Change in fair value of interest rate derivatives	—	—	—	—	(14)	—	(14)
Balance, September 30, 2020	5,173	\$ 5,173	\$ 32,965	\$ 170,783	\$ (42)	\$ (368)	\$ 208,511
	Common Stock		Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Equity
	Shares	Amount					
Nine Months Ended September 30, 2021							
Balance, December 31, 2020	5,173	\$ 5,173	\$ 32,965	\$ 166,165	\$ (707)	\$ (368)	\$ 203,228
Net income	—	—	—	55,181	—	—	55,181
Dividends paid (\$13.50 per common share)	—	—	—	(69,160)	—	—	(69,160)
Change in fair value of interest rate derivatives	—	—	—	—	4,612	—	4,612
Deferred stock unit grants	—	—	450	—	—	—	450
Balance, September 30, 2021	5,173	\$ 5,173	\$ 33,415	\$ 152,186	\$ 3,905	\$ (368)	\$ 194,311
Nine Months Ended September 30, 2020							
Balance, December 31, 2019	5,173	\$ 5,173	\$ 32,365	\$ 216,394	\$ (49)	\$ (368)	\$ 253,515
Net income	—	—	—	23,507	—	—	23,507
Dividends paid (\$13.50 per common share)	—	—	—	(69,118)	—	—	(69,118)
Change in fair value of interest rate derivatives	—	—	—	—	7	—	7
Deferred stock unit grants	—	—	600	—	—	—	600
Balance, September 30, 2020	5,173	\$ 5,173	\$ 32,965	\$ 170,783	\$ (42)	\$ (368)	\$ 208,511

See notes to consolidated financial statements (unaudited).

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

	Nine Months Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 55,181	\$ 23,507
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including amortization of debt issuance costs	26,923	25,554
Net gain on sale of real estate	(9,124)	—
Straight-lining of rental income	7,411	18,306
Write-off of tenant receivables	—	4,122
Stock-based compensation	450	600
Change in fair value of marketable securities	(3,411)	10,789
Dividends received in stock	—	(214)
Changes in operating assets and liabilities:		
Tenant and other receivables	1,497	(4,886)
Other assets	(9,146)	(33,731)
Amounts due to Vornado	1,032	(697)
Accounts payable and accrued expenses	20,601	12,646
Other liabilities	(495)	(475)
Net cash provided by operating activities	90,919	55,521
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress and real estate additions	(14,711)	(23,630)
Proceeds from sale of real estate	9,291	—
Return of short-term investment	3,600	—
Net cash used in investing activities	(1,820)	(23,630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(69,160)	(69,118)
Debt issuance costs	(45)	(2,680)
Proceeds from borrowing	—	145,708
Debt repayments	—	(50,000)
Net cash (used in) provided by financing activities	(69,205)	23,910
Net increase in cash and cash equivalents and restricted cash	19,894	55,801
Cash and cash equivalents and restricted cash at beginning of period	449,877	313,977
Cash and cash equivalents and restricted cash at end of period	\$ 469,771	\$ 369,778
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at beginning of period	\$ 428,710	\$ 298,063
Restricted cash at beginning of period	21,167	15,914
Cash and cash equivalents and restricted cash at beginning of period	\$ 449,877	\$ 313,977
Cash and cash equivalents at end of period	\$ 448,913	\$ 355,712
Restricted cash at end of period	20,858	14,066
Cash and cash equivalents and restricted cash at end of period	\$ 469,771	\$ 369,778
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 14,182	\$ 17,959
NON-CASH TRANSACTIONS		
Liability for real estate additions, including \$109 and \$456 for development fees due to Vornado in 2021 and 2020, respectively	\$ 1,832	\$ 3,622
Write-off of fully depreciated assets	5,628	457

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). As of September 30, 2021, we had seven properties in the greater New York City metropolitan area, including 30.3 acres of land located in Paramus, New Jersey ("Paramus Property") which we sold in October 2021. See Note 5 - *Real Estate Sales* for further details.

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 and all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. These consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission (the "SEC") and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC.

We have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the operating results for the full year.

We operate in one reportable segment.

3. Recently Issued Accounting Literature

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

In July 2021, the FASB issued an update ("ASU 2021-05") *Lessors - Certain Leases with Variable Lease Payments* to ASC Topic 842, *Leases* ("ASC 842"). ASU 2021-05 provides additional ASC 842 classification guidance as it relates to a lessor's accounting for certain leases with variable lease payments. ASU 2021-05 requires a lessor to classify a lease with variable payments that do not depend on an index or rate as an operating lease if either a sales-type lease or direct financing lease classification would trigger a day-one loss. ASU 2021-05 is effective for reporting periods beginning after December 15, 2021, with early adoption permitted. We are currently evaluating the impact of the adoption of ASU 2021-05 on our consolidated financial statements, but do not believe the adoption of this standard will have a material impact on our consolidated financial statements.

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

4. Revenue Recognition

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

- Lease revenues from the leasing of space to tenants at our properties. Revenues derived from base rent are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements. We commence rental revenue recognition when the underlying asset is available for use by the lessee. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease. Revenues derived from the reimbursement of real estate taxes, insurance expenses and common area maintenance expenses are generally recognized in the same period as the related expenses are incurred. As lessor, we have elected to combine the lease components (base and variable rent), non-lease components (reimbursements of common area maintenance expenses) and reimbursement of real estate taxes and insurance expenses from our operating lease agreements and account for the components as a single lease component in accordance with ASC 842.
- Parking revenue arising from the rental of parking spaces at our properties. This income is recognized as the services are transferred in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606").
- Tenant services is revenue arising from sub-metered electric, elevator and other services provided to tenants at their request. This revenue is recognized as the services are transferred in accordance with ASC 606.

Under ASC 842, we must assess on an individual lease basis whether it is probable that we will collect substantially all of the future lease payments. We consider the tenant's payment history, current credit status and other factors when assessing collectability. When collectability is not deemed probable, we write-off the tenant's receivables, including straight-line rent receivable, and limit lease income to cash received. We recognize changes in the collectability assessment of our operating leases as adjustments to rental revenues. During the quarter ended September 30, 2021, there were no changes to our lease collectability assessment.

The following is a summary of revenue sources for the three and nine months ended September 30, 2021 and 2020.

(Amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Lease revenues	\$ 46,535	\$ 41,394	\$ 149,850	\$ 137,479
Parking revenue	1,207	1,106	3,215	3,046
Tenant services	1,208	999	3,426	2,562
Rental revenues	<u>\$ 48,950</u>	<u>\$ 43,499</u>	<u>\$ 156,491</u>	<u>\$ 143,087</u>

The components of lease revenues for the three and nine months ended September 30, 2021 and 2020 are as follows:

(Amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Fixed lease revenues	\$ 31,072	\$ 33,609	\$ 97,115	\$ 101,348
Variable lease revenues	15,463	7,785	52,735	36,131
Lease revenues	<u>\$ 46,535</u>	<u>\$ 41,394</u>	<u>\$ 149,850</u>	<u>\$ 137,479</u>

Bloomberg L.P. ("Bloomberg") accounted for revenue of \$85,057,000 and \$80,696,000 for the nine months ended September 30, 2021 and 2020, respectively, representing approximately 54% and 56% of our total revenues in each period, respectively. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition. In order to assist us in our continuing assessment of Bloomberg's creditworthiness, we receive certain confidential financial information and metrics from Bloomberg. In addition, we access and evaluate financial information regarding Bloomberg from other private sources, as well as publicly available data.

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

5. Real Estate Sales

On June 4, 2021, we sold a parcel of land in the Bronx, New York ("Bronx Land Parcel") for \$10,000,000. Net proceeds from the sale were \$9,291,000 after closing costs and the financial statement gain was \$9,124,000.

On October 4, 2021, we sold our Paramus Property to IKEA Property, Inc. ("IKEA"), the tenant at the property, for \$75,000,000, pursuant to IKEA's purchase option contained in the lease. Net proceeds from the sale were \$4,580,000 after closing costs and the repayment of the \$68,000,000 mortgage loan. The financial statement gain was \$60,826,000, which will be recognized in the fourth quarter of 2021.

We do not expect to pay a special dividend related to these transactions.

6. Related Party Transactions

Vornado

As of September 30, 2021, 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) \$344,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue. Vornado is also entitled to a development fee equal to 6% of development costs, as defined.

Leasing and Other Agreements

Vornado also provides us with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through the twentieth year of a lease term, and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by tenants. In the event third-party real estate brokers are used, the fees to Vornado increase by 1% and Vornado is responsible for the fees to the third-party real estate brokers.

Vornado is also entitled to a commission upon the sale of any of our assets equal to 3% of gross proceeds, as defined, for asset sales less than \$50,000,000 and 1% of gross proceeds, as defined, for asset sales of \$50,000,000 or more (the "Sales Agreement").

Pursuant to the Sales Agreement, we paid a \$300,000 sales commission to Vornado in the second quarter of 2021 related to the sale of the Bronx Land Parcel. In addition, we will pay a \$750,000 sales commission to Vornado in the fourth quarter of 2021 related to the Paramus Property sale.

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

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

6. Related Party Transactions - continued

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

(Amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Company management fees	\$ 700	\$ 700	\$ 2,100	\$ 2,100
Development fees	30	188	109	456
Leasing fees	1,291	113	1,730	172
Commission on sale of real estate	—	—	300	—
Property management, cleaning, engineering and security fees	1,468	1,074	4,279	3,519
	<u>\$ 3,489</u>	<u>\$ 2,075</u>	<u>\$ 8,518</u>	<u>\$ 6,247</u>

As of September 30, 2021, the amounts due to Vornado were \$1,291,000 for leasing fees; \$692,000 for management, property management, cleaning, engineering and security fees; and \$109,000 for development fees. As of December 31, 2020, the amounts due to Vornado were \$845,000 for management, property management, cleaning, engineering and security fees; \$557,000 for development fees; and \$114,000 for leasing fees.

7. Marketable Securities

As of September 30, 2021 and December 31, 2020, we owned 564,612 common shares of The Macerich Company ("Macerich") (NYSE: MAC). As of September 30, 2021 and December 31, 2020, the fair value of these shares was \$9,435,000 and \$6,024,000, respectively, based on Macerich's closing share price of \$16.71 per share and \$10.67 per share, respectively. These shares are presented at fair value as "marketable securities" on our consolidated balance sheets and the gains and losses resulting from the mark-to-market of these securities are recognized in current period earnings.

8. Mortgages Payable

The following is a summary of our outstanding mortgages payable as of September 30, 2021 and December 31, 2020. We may refinance our maturing debt as it comes due or choose to pay it down.

(Amounts in thousands)	Maturity	Interest Rate at September 30, 2021	Balance at	
			September 30, 2021	December 31, 2020
First mortgages secured by:				
Paramus ⁽¹⁾	Oct. 04, 2021	4.72%	\$ 68,000	\$ 68,000
731 Lexington Avenue, office condominium ⁽²⁾	Jun. 11, 2024	0.98%	500,000	500,000
731 Lexington Avenue, retail condominium ⁽³⁾	Aug. 05, 2025	1.72%	300,000	300,000
Rego Park II shopping center ⁽⁴⁾	Dec. 12, 2025	1.43%	202,544	202,544
The Alexander apartment tower	Nov. 01, 2027	2.63%	94,000	94,000
Total			1,164,544	1,164,544
Deferred debt issuance costs, net of accumulated amortization of \$14,172 and \$13,034, respectively			(7,281)	(8,374)
			<u>\$ 1,157,263</u>	<u>\$ 1,156,170</u>

(1) On October 4, 2021, the loan was repaid in connection with the sale of the property. See Note 5 - *Real Estate Sales* for further details.

(2) Interest at LIBOR plus 0.90%. Maturity represents the extended maturity based on our unilateral right to extend.

(3) Interest at LIBOR plus 1.40% which was swapped to a fixed rate of 1.72%.

(4) Interest at LIBOR plus 1.35%. The loan balance of \$252,544 as of December 31, 2020 is presented net of our participation of \$50,000. On April 7, 2021, we used our participation in this loan to reduce the loan balance to \$202,544.

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

9. Stock-Based Compensation

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

In May 2021, we granted each of the members of our Board of Directors 284 DSUs with a market value of \$75,000 per grant. The grant date fair value of these awards was \$56,250 per grant, or \$450,000 in the aggregate, in accordance with ASC 718. The DSUs entitle the holders to receive shares of the Company’s common stock without the payment of any consideration. The DSUs vested immediately and accordingly, were expensed on the date of grant, but the shares of common stock underlying the DSUs are not deliverable to the grantee until the grantee is no longer serving on the Company’s Board of Directors. As of September 30, 2021, there were 17,188 DSUs outstanding and 488,599 shares were available for future grant under the Plan.

10. Fair Value Measurements

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

Financial Assets and Liabilities Measured at Fair Value

Financial assets measured at fair value on our consolidated balance sheet as of September 30, 2021 consist of marketable securities and an interest rate swap, 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 September 30, 2021. There were no financial liabilities measured at fair value as of September 30, 2021.

(Amounts in thousands)	As of September 30, 2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable securities	\$ 9,435	\$ 9,435	\$ —	\$ —
Interest rate swap (included in other assets)	3,960	—	3,960	—
	<u>\$ 13,395</u>	<u>\$ 9,435</u>	<u>\$ 3,960</u>	<u>\$ —</u>

Financial assets measured at fair value on our consolidated balance sheet as of December 31, 2020 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 December 31, 2020. Financial liabilities measured at fair value as of December 31, 2020 consist of an interest rate swap, which is presented in the table below based on its level in the fair value hierarchy.

(Amounts in thousands)	As of December 31, 2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable securities	\$ 6,024	\$ 6,024	\$ —	\$ —
Liabilities:				
Interest rate swap (included in other liabilities)	\$ 667	\$ —	\$ 667	\$ —

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

10. Fair Value Measurements - continued

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash equivalents and mortgages payable. Cash equivalents are carried at cost, which approximates fair value due to their short-term maturities and are classified as Level 1. The fair value of our mortgages payable is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist, and is classified as Level 2. The table below summarizes the carrying amounts and fair values of these financial instruments as of September 30, 2021 and December 31, 2020.

(Amounts in thousands)	As of September 30, 2021		As of December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash equivalents	\$ 412,592	\$ 412,592	\$ 393,070	\$ 393,070
Liabilities:				
Mortgages payable (excluding deferred debt issuance costs, net)	\$ 1,164,544	\$ 1,130,000	\$ 1,164,544	\$ 1,130,000

11. Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of \$300,000,000 per occurrence and per property, of which the first \$30,000,000 includes communicable disease coverage, and all-risk property and rental value insurance coverage with limits of \$1.7 billion per occurrence, including coverage for acts of terrorism, with sub-limits for certain perils such as floods and earthquakes on each of our properties and excluding communicable disease coverage.

Fifty Ninth Street Insurance Company, LLC ("FNSIC"), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ("NBCR") acts, as defined by the Terrorism Risk Insurance Act of 2002, as amended to date and which has been extended through December 2027. Coverage for acts of terrorism (including NBCR acts) is up to \$1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a \$275,000 deductible and 20% of the balance of a covered loss, and the Federal government is responsible for the remaining 80% of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

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

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

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

11. Commitments and Contingencies - continued

Rego Park I Litigation

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

Letters of Credit

Approximately \$960,000 of standby letters of credit were issued and outstanding as of September 30, 2021.

Other

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

12. Earnings Per Share

The following table sets forth the computation of basic and diluted income per share. Basic income per share is determined using the weighted average shares of common stock outstanding during the period. Diluted income per share is determined using the weighted average shares of common stock outstanding during the period, and assumes all potentially dilutive securities were converted into common shares at the earliest date possible. There were no potentially dilutive securities outstanding during the three and nine months ended September 30, 2021 and 2020.

(Amounts in thousands, except share and per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 11,401	\$ 6,604	\$ 55,181	\$ 23,507
Weighted average shares outstanding – basic and diluted	5,124,478	5,122,206	5,123,321	5,120,490
Net income per common share – basic and diluted	\$ 2.22	\$ 1.29	\$ 10.77	\$ 4.59

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated balance sheet of Alexander's, Inc. and subsidiaries (the "Company") as of September 30, 2021, the related consolidated statements of income, comprehensive income, and changes in equity, for the three-month and nine-month periods ended September 30, 2021 and 2020, and of cash flows for the nine-month periods ended September 30, 2021 and 2020, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2020, 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 16, 2021, 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, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

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

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

/s/ DELOITTE & TOUCHE LLP

New York, New York
November 1, 2021

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained in this Quarterly Report constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Our future results, financial condition, results of operations and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as “approximates,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “would,” “may” or other similar expressions in this Quarterly Report on Form 10-Q. These forward-looking statements represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict.

Currently, one of the most significant factors is the ongoing adverse effect of the COVID-19 pandemic on our business, financial condition, results of operations, cash flows, operating performance and the effect it has had and may continue to have on our tenants, the global, national, regional and local economies and financial markets and the real estate market in general. The extent of the impact of the COVID-19 pandemic will depend on future developments, including the duration of the pandemic, current and future variants, the efficacy and durability of vaccines against the variants and the potential for increased government restrictions, which continue to be uncertain at this time but that impact could be material. Moreover, you are cautioned that the COVID-19 pandemic will heighten many of the risks identified in “Item 1A. – Risk Factors” in Part I of our Annual Report on Form 10-K for the year ended December 31, 2020.

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, 2020. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly, any revisions to our forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

Management’s Discussion and Analysis of Financial Condition and Results of Operations include a discussion of our consolidated financial statements for the three and nine months ended September 30, 2021 and 2020. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three and nine months ended September 30, 2021 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, 2020 in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Note 3 – Summary of Significant Accounting Policies” to the consolidated financial statements included therein. For the nine months ended September 30, 2021, there were no material changes to these policies.

Overview

Alexander's, Inc. (NYSE: ALX) is a real estate investment trust ("REIT"), incorporated in Delaware, engaged in leasing, managing, developing and redeveloping its properties. All references to "we," "us," "our," "Company" and "Alexander's" refer to Alexander's, Inc. and its consolidated subsidiaries. We are managed by, and our properties are leased and developed by, Vornado Realty Trust ("Vornado") (NYSE: VNO). As of September 30, 2021, we had seven properties in the greater New York City metropolitan area, including 30.3 acres of land located in Paramus, New Jersey ("Paramus Property") which we sold in October 2021.

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.

Our business has been adversely affected by the ongoing COVID-19 pandemic. Although substantially all our retail tenants are currently open and operating and previous government restrictions have been lifted, there continue to be economic conditions and other factors that adversely affect the financial health of our retail tenants.

Quarter Ended September 30, 2021 Financial Results Summary

Net income for the quarter ended September 30, 2021 was \$11,401,000, or \$2.22 per diluted share, compared to \$6,604,000, or \$1.29 per diluted share in the prior year's quarter.

Funds from operations ("FFO") (non-GAAP) for the quarter ended September 30, 2021 was \$21,181,000, or \$4.13 per diluted share, compared to \$15,363,000 or \$3.00 per diluted share in the prior year's quarter.

Nine Months Ended September 30, 2021 Financial Results Summary

Net income for the nine months ended September 30, 2021 was \$55,181,000, or \$10.77 per diluted share, compared to \$23,507,000, or \$4.59 per diluted share in the prior year's nine months.

FFO (non-GAAP) for the nine months ended September 30, 2021 was \$68,095,000, or \$13.29 per diluted share, compared to \$57,102,000 or \$11.15 per diluted share in the prior year's nine months.

Square Footage, Occupancy and Leasing Activity

As of September 30, 2021, our portfolio was comprised of seven properties aggregating 2,454,000 square feet, of which 2,218,000 square feet was in service and 236,000 square feet (primarily the former Century 21 space at our Rego Park II property and a portion of the former Sears space at our Rego Park I property) was out of service for redevelopment. Excluding residential square feet, the in service square feet was 96% occupied as of September 30, 2021. The in service residential square feet was 93% occupied as of September 30, 2021.

Real Estate Sales

On June 4, 2021, we sold a parcel of land in the Bronx, New York ("Bronx Land Parcel") for \$10,000,000. Net proceeds from the sale were \$9,291,000 after closing costs, the financial statement gain was \$9,124,000 and the tax gain was \$9,123,000.

On October 4, 2021, we sold our Paramus Property to IKEA Property, Inc. ("IKEA"), the tenant at the property, for \$75,000,000, pursuant to IKEA's purchase option contained in the lease. Net proceeds from the sale were \$4,580,000 after closing costs and the repayment of the \$68,000,000 mortgage loan. The financial statement gain was \$60,826,000, which will be recognized in the fourth quarter of 2021, and the tax gain was \$63,898,000. Prior to the sale, the Paramus Property had annual rental revenues of \$7,200,000, annual operating expenses of \$3,200,000 and annual interest and debt expense of \$3,300,000.

We do not expect to pay a special dividend related to these transactions.

Overview - continued

Significant Tenant

Bloomberg L.P. (“Bloomberg”) accounted for revenue of \$85,057,000 and \$80,696,000 for the nine months ended September 30, 2021 and 2020, respectively, representing approximately 54% and 56% of our total revenues in each period, respectively. No other tenant accounted for more than 10% of our total revenues. If we were to lose Bloomberg as a tenant, or if Bloomberg were to be unable to fulfill its obligations under its lease, it would adversely affect our results of operations and financial condition. In order to assist us in our continuing assessment of Bloomberg’s creditworthiness, we receive certain confidential financial information and metrics from Bloomberg. In addition, we access and evaluate financial information regarding Bloomberg from other private sources, as well as publicly available data.

Results of Operations – Three Months Ended September 30, 2021, compared to September 30, 2020

Rental Revenues

Rental revenues were \$48,950,000 in the quarter ended September 30, 2021, compared to \$43,499,000 in the prior year's quarter, an increase of \$5,451,000. This was primarily due to (i) \$6,590,000 from write-offs in the prior year related to receivables arising from the straight-lining of rents from certain of our retail tenants who were put on a cash basis given the probability of collecting the rent due under the lease agreements and (ii) \$2,130,000 of higher revenue from new tenants, partially offset by (iii) \$3,707,000 from retail tenant vacancies at our 731 Lexington Avenue and Rego Park II properties.

Operating Expenses

Operating expenses were \$21,433,000 in the quarter ended September 30, 2021, compared to \$22,448,000 in the prior year's quarter, a decrease of \$1,015,000. This was primarily due to lower operating expenses subject to recovery, including real estate taxes and common area maintenance.

Depreciation and Amortization

Depreciation and amortization was \$9,008,000 in the quarter ended September 30, 2021, compared to \$7,587,000 in the prior year's quarter, an increase of \$1,421,000. This was primarily due to the acceleration of amortization of the deferred leasing commission at our Paramus property.

General and Administrative Expenses

General and administrative expenses were \$1,272,000 in the quarter ended September 30, 2021, compared to \$1,386,000 in the prior year's quarter, a decrease of \$114,000. This was primarily due to lower professional fees.

Interest and Other Income, net

Interest and other income, net was \$157,000 in the quarter ended September 30, 2021, compared to \$220,000 in the prior year's quarter, a decrease of \$63,000. This was primarily due to \$81,000 of lower interest income due to a decrease in average interest rates.

Interest and Debt Expense

Interest and debt expense was \$5,124,000 in the quarter ended September 30, 2021, compared to \$4,463,000 in the prior year's quarter, an increase of \$661,000. This was primarily due to \$632,000 of higher interest expense due to the financing of The Alexander apartment tower in October 2020.

Change in Fair Value of Marketable Securities

Change in fair value of marketable securities was an expense of \$869,000 in the quarter ended September 30, 2021, compared to an expense of \$1,231,000 in the prior year's quarter, a decrease of \$362,000. This was due to the change in The Macerich Company's ("Macerich") share price during the periods.

Results of Operations – Nine Months Ended September 30, 2021, compared to September 30, 2020

Rental Revenues

Rental revenues were \$156,491,000 in the nine months ended September 30, 2021, compared to \$143,087,000 in the prior year's nine months, an increase of \$13,404,000. This was primarily due to (i) \$10,837,000 from write-offs in the prior year related to receivables arising from the straight-lining of rents from certain of our retail tenants who were put on a cash basis, (ii) \$6,436,000 of higher revenue from new tenants and (iii) \$4,836,000 from write-offs in the prior year related to receivables from retail tenants who were put on a cash basis, partially offset by (iv) \$9,604,000 from retail tenant vacancies at our 731 Lexington Avenue and Rego Park II properties.

Operating Expenses

Operating expenses were \$68,655,000 in the nine months ended September 30, 2021, compared to \$63,979,000 in the prior year's nine months, an increase of \$4,676,000. This was primarily due to higher operating expenses subject to recovery, including real estate taxes and common area maintenance.

Depreciation and Amortization

Depreciation and amortization was \$25,682,000 in the nine months ended September 30, 2021, compared to \$23,129,000 in the prior year's nine months, an increase of \$2,553,000. This was primarily due to the acceleration of amortization of the deferred leasing commission at our Paramus property.

General and Administrative Expenses

General and administrative expenses were \$4,638,000 in the nine months ended September 30, 2021, compared to \$4,948,000 in the prior year's nine months, a decrease of \$310,000. This was primarily due to lower stock-based compensation expense related to an initial award of deferred stock units with a fair value of \$150,000 granted to a newly appointed member of our Board of Directors in the prior year and lower professional fees.

Interest and Other Income, net

Interest and other income, net was \$480,000 in the nine months ended September 30, 2021, compared to \$2,473,000 in the prior year's nine months, a decrease of \$1,993,000. This was primarily due to \$1,514,000 of lower interest income due to a decrease in average interest rates and \$499,000 of lower dividend income from Macerich.

Interest and Debt Expense

Interest and debt expense was \$15,350,000 in the nine months ended September 30, 2021, compared to \$19,208,000 in the prior year's nine months, a decrease of \$3,858,000. This was primarily due to (i) \$4,414,000 of lower interest expense due to a decrease in LIBOR and (ii) \$1,276,000 of lower amortization of debt issuance costs, partially offset by (iii) \$1,875,000 of higher interest expense due to the financing of The Alexander apartment tower in October 2020.

Change in Fair Value of Marketable Securities

Change in fair value of marketable securities was income of \$3,411,000 in the nine months ended September 30, 2021, compared to an expense of \$10,789,000 in the prior year's nine months, an increase to income of \$14,200,000. This was due to the change in Macerich's share price during the periods.

Net Gain on Sale of Real Estate

Net gain on sale of real estate was \$9,124,000 in the nine months ended September 30, 2021, resulting from the sale of the Bronx Land Parcel.

Liquidity and Capital Resources

Cash Flows

Rental revenue is our primary source of cash flow and is dependent on a number of factors, including the occupancy level and rental rates of our properties, as well as our tenants' ability to pay their rents. Our properties provide us with a relatively consistent stream of cash flow that enables us to pay our operating expenses, interest expense, recurring capital expenditures and cash dividends to stockholders. Other sources of liquidity to fund cash requirements include our existing cash, proceeds from financings, including mortgage or construction loans secured by our properties and proceeds from asset sales.

As of September 30, 2021, we had \$479,206,000 of liquidity comprised of \$469,771,000 of cash and cash equivalents and restricted cash and \$9,435,000 of marketable securities. We anticipate that cash flows from continuing operations over the next twelve months, together with existing cash balances, will be adequate to fund our business operations, cash dividends to stockholders, debt amortization and capital expenditures. We may refinance our maturing debt as it comes due or choose to pay it down. However, there can be no assurance that additional financing or capital will be available to refinance our debt, or that the terms will be acceptable or advantageous to us. The challenges posed by the COVID-19 pandemic and the impact on our business and cash flows continue to evolve and cannot be predicted at this time but that impact could be material. Consequently, we will continue to evaluate our liquidity and financial position on an ongoing basis.

Nine Months Ended September 30, 2021

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

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

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

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

Nine Months Ended September 30, 2020

Cash and cash equivalents and restricted cash were \$369,778,000 as of September 30, 2020, compared to \$313,977,000 as of December 31, 2019, an increase of \$55,801,000. This increase resulted from (i) \$55,521,000 of net cash provided by operating activities and (ii) \$23,910,000 of net cash provided by financing activities, partially offset by (iii) \$23,630,000 of net cash used in investing activities.

Net cash provided by operating activities of \$55,521,000 was comprised of (i) net income of \$23,507,000 and (ii) adjustments for non-cash items of \$59,157,000, partially offset by (iii) the net change in operating assets and liabilities of \$27,143,000. The adjustments for non-cash items were comprised of (i) depreciation and amortization (including amortization of debt issuance costs) of \$25,554,000, (ii) straight-lining of rental income of \$18,306,000, (iii) the change in fair value of marketable securities of \$10,789,000, (iv) write-off of tenant receivables of \$4,122,000 and (v) stock-based compensation expense of \$600,000, partially offset by (vi) \$214,000 of dividends received in stock from Macerich.

Net cash provided by financing activities of \$23,910,000 was primarily comprised of (i) proceeds from the reduction of our participation in our Rego Park II mortgage loan of \$145,708,000, partially offset by (ii) dividends paid of \$69,118,000 and (iii) debt repayments of \$50,000,000.

Net cash used in investing activities was comprised of construction in progress and real estate additions of \$23,630,000.

Liquidity and Capital Resources - continued

Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of \$300,000,000 per occurrence and per property, of which the first \$30,000,000 includes communicable disease coverage, and all-risk property and rental value insurance coverage with limits of \$1.7 billion per occurrence, including coverage for acts of terrorism, with sub-limits for certain perils such as floods and earthquakes on each of our properties and excluding communicable disease coverage.

Fifty Ninth Street Insurance Company, LLC (“FNSIC”), our wholly owned consolidated subsidiary, acts as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological (“NBCR”) acts, as defined by the Terrorism Risk Insurance Act of 2002, as amended to date and which has been extended through December 2027. Coverage for acts of terrorism (including NBCR acts) is up to \$1.7 billion per occurrence and in the aggregate. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to FNSIC. For NBCR acts, FNSIC is responsible for a \$275,000 deductible and 20% of the balance of a covered loss, and the Federal government is responsible for the remaining 80% of a covered loss. We are ultimately responsible for any loss incurred by FNSIC.

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

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

Rego Park I Litigation

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

Letters of Credit

Approximately \$960,000 of standby letters of credit were issued and outstanding as of September 30, 2021.

Other

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

Funds from Operations (“FFO”) (non-GAAP)

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

FFO (non-GAAP) for the three and nine months ended September 30, 2021 and 2020

FFO (non-GAAP) for the quarter ended September 30, 2021 was \$21,181,000, or \$4.13 per diluted share, compared to \$15,363,000, or \$3.00 per diluted share in the prior year’s quarter.

FFO (non-GAAP) for the nine months ended September 30, 2021 was \$68,095,000, or \$13.29 per diluted share, compared to \$57,102,000, or \$11.15 per diluted share in the prior year’s nine months.

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

(Amounts in thousands, except share and per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 11,401	\$ 6,604	\$ 55,181	\$ 23,507
Depreciation and amortization of real property	8,911	7,528	25,449	22,806
Net gain on sale of real estate	—	—	(9,124)	—
Change in fair value of marketable securities	869	1,231	(3,411)	10,789
FFO (non-GAAP)	<u>\$ 21,181</u>	<u>\$ 15,363</u>	<u>\$ 68,095</u>	<u>\$ 57,102</u>
FFO per diluted share (non-GAAP)	<u>\$ 4.13</u>	<u>\$ 3.00</u>	<u>\$ 13.29</u>	<u>\$ 11.15</u>
Weighted average shares used in computing FFO per diluted share	<u>5,124,478</u>	<u>5,122,206</u>	<u>5,123,321</u>	<u>5,120,490</u>

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)	2021			2020	
	September 30, Balance	Weighted Average Interest Rate	Effect of 1% Change in Base Rates	December 31, Balance	Weighted Average Interest Rate
Variable Rate	\$ 702,544	1.11%	\$ 7,025	\$ 702,544	1.19%
Fixed Rate	462,000	2.35%	—	462,000	2.35%
	<u>\$ 1,164,544</u>	<u>1.60%</u>	<u>\$ 7,025</u>	<u>\$ 1,164,544</u>	<u>1.65%</u>
Total effect on diluted earnings per share			<u>\$ 1.37</u>		

We have an interest rate cap relating to the mortgage loan on the office condominium of our 731 Lexington Avenue property with a notional amount of \$500,000,000 that caps LIBOR at a rate of 3.0%.

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

Fair Value of Debt

The fair value of our mortgages payable is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist. As of September 30, 2021 and December 31, 2020, the estimated fair value of our mortgages payable was \$1,130,000,000. 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 11 – 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, 2020.

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

Effective November 2, 2021, Gary Hansen has been appointed as Chief Financial Officer of the Company. Mr. Hansen succeeds Matthew Iocco, who will be retiring after 22 years with the Company and its affiliates. Mr. Iocco will remain with the Company through December 31, 2021 to assist with the transition. Mr. Hansen, age 43, was previously Controller of the Company since May 2015.

Item 6. Exhibits

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

EXHIBIT INDEX

Exhibit No.	
15.1	- Letter regarding unaudited interim financial information
31.1	- Rule 13a-14 (a) Certification of the Chief Executive Officer
31.2	- Rule 13a-14 (a) Certification of the Chief Financial Officer
32.1	- Section 1350 Certification of the Chief Executive Officer
32.2	- Section 1350 Certification of the Chief Financial Officer
101	- The following financial information from the Alexander's, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 formatted in Inline Extensible Business Reporting Language (iXBRL) includes: (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of changes in equity, (v) consolidated statements of cash flows and (vi) the notes to the consolidated financial statements
104	- The cover page from the Alexander's, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 formatted as iXBRL and contained in Exhibit 101

SIGNATURES

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

ALEXANDER'S, INC.

(Registrant)

Date: November 1, 2021

By: /s/ Matthew Iocco

Matthew Iocco

Chief Financial Officer (duly authorized officer and principal financial and accounting officer)

November 1, 2021

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

We are aware that our report dated November 1, 2021, on our review of the interim financial information of Alexander's, Inc. and subsidiaries appearing in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, is incorporated by reference in Registration Statement No. 333-212838 on Form S-8.

/s/ DELOITTE & TOUCHE LLP

New York, New York

CERTIFICATION

I, Steven Roth, certify that:

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

November 1, 2021

/s/ Steven Roth

Steven Roth

Chairman of the Board and Chief Executive Officer

CERTIFICATION

I, Matthew Iocco, certify that:

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

November 1, 2021

/s/ Matthew Iocco

Matthew Iocco

Chief Financial Officer

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code)

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

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 1, 2021

	<u>/s/ Steven Roth</u>
Name:	Steven Roth
Title:	Chairman of the Board and Chief Executive Officer

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code)

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

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 1, 2021

	<u>/s/ Matthew Iocco</u>
Name:	Matthew Iocco
Title:	Chief Financial Officer