

RECKSON ASSOCIATES REALTY CORP  
Form 10-Q  
May 14, 2001

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

COMMISSION FILE NUMBER: 1-13762

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RECKSON ASSOCIATES REALTY CORP.  
(Exact name of registrant as specified in its charter)

MARYLAND 11-3233650  
(State other jurisdiction of incorporation (IRS. Employer Identification Number)  
of organization)

225 BROADHOLLOW ROAD, MELVILLE, NY 11747  
(Address of principal executive office) (zip code)

(631) 694-6900  
(Registrant's telephone number including area code)

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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) Yes X No\_\_\_, and (2) has been  
subject to such filing requirements for the past 90 days. Yes X No \_\_\_.

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The Company has two classes of common stock, issued at \$.01 par value per  
share with 46,167,242 and 10,283,513 shares of Class A common stock and Class B  
common stock outstanding, respectively as of May 10, 2001

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RECKSON ASSOCIATES REALTY CORP.  
QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED MARCH 31, 2001

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PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

RECKSON ASSOCIATES REALTY CORP.  
CONSOLIDATED BALANCE SHEETS  
(DOLLARS IN THOUSANDS, EXCEPT FOR SHARE AMOUNTS)

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MARCH 31, 2001  
(UNAUDITED)

ASSETS:

Commercial real estate properties, at cost:

Land .....	\$ 398,139
Building and improvements .....	2,268,512
Developments in progress:	
Land .....	63,263
Development costs .....	81,980
Furniture, fixtures and equipment .....	7,240
	-----
	2,819,134
Less accumulated depreciation .....	(308,853)
	-----

Investment in real estate joint ventures .....	76,584
Investment in mortgage notes and notes receivable .....	58,222
Cash and cash equivalents .....	32,106
Tenant receivables .....	12,699
Investments in and advances to affiliates .....	170,425
Deferred rents receivable .....	79,133
Prepaid expenses and other assets .....	60,960
Contract and land deposits and pre-acquisition costs .....	2,445
Deferred leasing and loan costs .....	60,789
	-----
TOTAL ASSETS .....	\$3,063,644
	=====

LIABILITIES:

Mortgage notes payable .....	\$ 727,088
Unsecured credit facility .....	304,600
Senior unsecured notes .....	449,404
Accrued expenses and other liabilities .....	74,546
Dividends and distributions payable .....	28,983
	-----
TOTAL LIABILITIES .....	1,584,621
	-----

Minority partners' interests in consolidated partnerships .....	227,001
Preferred unit interest in the operating partnership .....	42,518
Limited partners' minority interest in the operating partnership .....	97,141
	-----
	366,660
	-----

Commitments and other comments ..... --

STOCKHOLDERS' EQUITY:

Preferred Stock, \$.01 par value, 25,000,000 shares authorized	
Series A preferred stock, 9,192,000 shares issued and outstanding .....	92
Series B preferred stock, 2,000,000 shares issued and outstanding .....	20
Common Stock, \$.01 par value, 100,000,000 shares authorized Class A common stock, 45,812,864 and 45,352,286 shares issued and outstanding, respectively .....	458
Class B common stock, 10,283,513 shares issued and outstanding .....	103
Additional paid in capital .....	1,111,690
	-----
Total Stockholders' Equity .....	1,112,363
	-----

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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY ..... \$3,063,644  
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(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP.  
CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED AND IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

	THREE MONTHS MARCH 31
	2001
	-----
REVENUES:	
Base rents .....	\$ 107,494
Tenant escalations and reimbursements .....	15,945
Equity in earnings of real estate joint ventures and service companies .....	398
Interest income on mortgage notes and notes receivable .....	1,508
Investment and other income .....	5,541
	-----
Total Revenues .....	130,886
	-----
EXPENSES:	
Property operating expenses .....	40,994
Marketing, general and administrative .....	7,497
Interest .....	23,631
Depreciation and amortization .....	23,521
	-----
Total Expenses .....	95,643
	-----
Income before minority interests and preferred dividends and distributions .....	35,243
Minority partners' interests in consolidated partnerships .....	(5,755)
Distributions to preferred unit holders .....	(660)
Limited partners' minority interest in the operating partnership .....	(2,715)
	-----
Net Income .....	26,113
Dividends to preferred shareholders .....	(5,425)
	-----
Net income available to common shareholders .....	\$ 20,688
	=====
Net Income available to:	
Class A common shareholders .....	\$ 15,308
Class B common shareholders .....	5,380
	-----
Total .....	\$ 20,688
	=====
Basic net income per weighted average common share:	
Class A common shareholders .....	\$ .34
	=====
Class B common shareholders .....	\$ .52
	=====

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Basic weighted average common shares outstanding:	
Class A common shareholders .....	45,483,544
Class B common shareholders .....	10,283,513
Diluted net income per weighted average common share:	
Class A common shareholders .....	\$ .33
	=====
Class B common shareholders .....	\$ .37
	=====
Diluted weighted average common shares outstanding:	
Class A common shareholders .....	45,949,816
Class B common shareholders .....	10,283,513

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED AND IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income .....	\$ 26,113	\$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	23,521	
Minority partners' interests in consolidated partnerships .....	5,755	
Limited partners' minority interest in the operating partnership .....	2,715	
Equity in earnings of real estate joint ventures and service companies ....	(398)	
Changes in operating assets and liabilities:		
Tenant receivables .....	(1,188)	
Real estate tax escrows .....	(1,937)	
Prepaid expenses and other assets .....	13,118	
Deferred rents receivable .....	(11,203)	
Accrued expenses and other liabilities .....	(11,674)	
Net cash provided by operating activities .....	44,822	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in contract deposits and pre-acquisition costs .....	(795)	
Additions to developments in progress .....	(5,078)	
Purchases of commercial real estate properties .....	--	
Proceeds from mortgage note receivable repayments .....	3	
Investments in real estate joint ventures .....	(32,752)	
Distribution from a real estate joint venture .....	--	
Additions to commercial real estate properties .....	(43,568)	
Additions to furniture, fixtures and equipment .....	(113)	
Payment of leasing costs .....	(3,102)	

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Net cash used in investing activities .....	(85,405)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock net of issuance costs .....	1,338	
Principal payments on secured borrowings .....	(1,883)	
Payment of loan and equity issuance costs .....	(334)	
Investments in and advances to affiliates .....	5,557	
Proceeds from secured borrowings .....	--	
Proceeds from unsecured credit facility .....	88,000	
Distributions to minority partners in consolidated partnerships .....	(5,104)	
Distributions to limited partners in the operating partnership .....	(2,967)	
Distributions to preferred unit holders .....	(660)	
Dividends to common shareholders .....	(23,676)	
Dividends to preferred shareholders .....	(5,425)	
Net cash provided by financing activities .....	54,846	
Net increase in cash and cash equivalents .....	14,263	
Cash and cash equivalents at beginning of period .....	17,843	
Cash and cash equivalents at end of period .....	\$ 32,106	\$

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2001  
(UNAUDITED)

1. ORGANIZATION AND FORMATION OF THE COMPANY

Reckson Associates Realty Corp. (the "Company") is a self-administered and self managed real estate investment trust ("REIT") engaged in the ownership, management, operation, leasing and development of commercial real estate properties, principally office and industrial buildings and also owns land for future development (collectively, the "Properties") located in the New York tri-state area (the "Tri-State Area").

The Company was incorporated in Maryland in September 1994. In June 1995, the Company completed an Initial Public Offering (the "IPO") and commenced operations.

The Company became the sole general partner of Reckson Operating Partnership, L.P. (the "Operating Partnership") by contributing substantially all of the net proceeds of the IPO, in exchange for an approximate 73% interest in the Operating Partnership. All Properties acquired by the Company are held by or through the Operating Partnership. In conjunction with the IPO, the Operating Partnership executed various option and purchase agreements whereby it issued common units of limited partnership interest in the Operating Partnership ("OP Units") to certain continuing investors in exchange for (i) interests in certain property partnerships, (ii) fee simple and leasehold interests in properties and development land, (iii) certain business assets of executive center entities and (iv) 100% of the non-voting preferred stock of the management and construction companies.

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During July 1998, the Company formed Metropolitan Partners, LLC ("Metropolitan") for the purpose of acquiring Tower Realty Trust, Inc. ("Tower"). On May 24, 1999 the Company completed the merger with Tower and acquired three Class A office properties located in New York City totaling 1.6 million square feet and one office property located on Long Island totaling approximately 101,000 square feet. In addition, pursuant to the merger, the Company also acquired certain office properties, a property under development and land located outside of the Tri-State Area. All of the assets acquired in the merger located outside of the Tri-State Area, other than a 357,000 square foot office property located in Orlando, Florida, have been sold.

On September 28, 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association ("TIAA") and contributed eight Class A suburban office properties to the Tri-State JV in exchange for approximately \$136 million and a 51% majority ownership interest in the Tri-State JV.

### 2. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the consolidated financial position of the Company and the Operating Partnership at March 31, 2001 and December 31, 2000 and the results of their operations and their cash flows for the three months ended March 31, 2001 and 2000, respectively. The Operating Partnership's investments in Metropolitan, Omni Partners ("Omni"), the Tri-State JV and certain joint venture properties are reflected in the accompanying financial statements on a consolidated basis with a reduction for minority partners' interest. The operating results of the service businesses currently conducted by Reckson Management Group, Inc. and Reckson Construction Group, Inc. are reflected in the accompanying financial statements on the equity method of accounting. The Operating Partnership also invests in real estate joint ventures where it may own less than a controlling interest. Such investments are also reflected in the accompanying financial statements on the equity method of accounting. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The minority interests at March 31, 2001 represent an approximate 12% limited partnership interest in the Operating Partnership, a convertible preferred interest in Metropolitan, a 49% interest in the Tri-State JV and a 40% interest in Omni.

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The accompanying interim unaudited financial statements have been prepared by the Company's management pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The unaudited financial statements as of March 31, 2001 and for the three month periods ended March 31, 2001 and 2000 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth herein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto included in the Company's Form 10K for the year ended December 31, 2000.

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The Company intends to qualify as a REIT under Section 856 through 869 of the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, the Company will not generally be subject to corporate Federal income taxes as long as it satisfies certain technical requirements of the Code relating to composition of its income and assets and requirements relating to distributions of taxable income to shareholders.

Financial Accounting Standards Board's ("FASB") Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") which became effective January 1, 2001 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. As of January 1, 2001, the carrying value of the Company's derivatives equaled their fair value and as a result no cumulative effect changes were recorded. Additionally, as of March 31, 2001, the carrying value of the Company's derivatives equaled their fair value resulting in no adjustment to income.

Certain prior period amounts have been reclassified to conform to the current period presentation.

### 3. MORTGAGE NOTES PAYABLE

As of March 31, 2001, the Company had approximately \$457.1 million of fixed rate mortgage notes which mature at various times between 2001 and 2027. The notes are secured by 22 properties and have a weighted average interest rate of approximately 7.6%.

In addition, as of March 31, 2001, the Company had \$270 million of variable rate mortgage notes which mature between 2001 and 2003. The notes are secured by two properties and have a weighted average interest rate of LIBOR plus 132 basis points. The Company is currently negotiating to refinance both of these notes to long term, fixed rate mortgage notes.

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### 4. SENIOR UNSECURED NOTES

As of March 31, 2001, the Operating Partnership had outstanding approximately \$449.4 million (net of issuance discounts) of senior unsecured notes (the "Senior Unsecured Notes"). The following table sets forth the Operating Partnership's Senior Unsecured Notes and other related disclosures (dollars in thousands):

ISSUANCE	FACE AMOUNT	COUPON RATE	TERM	MATURITY
August 27, 1997	\$150,000	7.20%	10 years	August 28, 2007
March 26, 1999	\$100,000	7.40%	5 years	March 15, 2004
March 26, 1999	\$200,000	7.75%	10 years	March 15, 2009



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Interest on the Senior Unsecured Notes is payable semiannually with principal and unpaid interest due on the scheduled maturity dates. In addition, the Senior Unsecured Notes issued on March 26, 1999 were issued at an aggregate discount of \$738,000. Such discount is being amortized over the term of the Senior Unsecured Notes to which they relate.

### 5. UNSECURED CREDIT FACILITY

As of March 31, 2001, the Company had a three year \$575 million unsecured revolving credit facility (the "Credit Facility") from The Chase Manhattan Bank, as administrative agent, UBS Warburg LLC as syndication agent and Deutsche Bank as documentation agent. The Credit Facility matures in September, 2003 and borrowings under the Credit Facility are currently priced off of LIBOR plus 105 basis points.

The Company utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working capital purposes. At March 31, 2001, the Company had availability under the Credit Facility to borrow an additional \$270.4 million (of which, approximately \$49.6 million has been allocated for outstanding undrawn letters of credit).

### 6. COMMERCIAL REAL ESTATE INVESTMENTS

As of March 31, 2001, the Company owned and operated 82 office properties (inclusive of ten office properties owned through joint ventures) comprising approximately 14.4 million square feet, 104 industrial properties comprising approximately 6.8 million square feet and two retail properties comprising approximately 20,000 square feet located in the Tri-State Area. During the quarter ended March 31, 2001, the Company completed the development of one office property encompassing approximately 277,500 square feet and one industrial property encompassing approximately 206,000 square feet. Both of these properties are located on Long Island. As of March 31, 2001, the Company is in the process of developing a 315,000 square foot office building located in New Jersey. The Company also owns a 357,000 square foot office building located in Orlando, Florida and approximately 290 acres of land in 13 separate parcels of which the Company can develop approximately 1.4 million square feet of office space and approximately 224,000 square feet of industrial space. The Company also has invested approximately \$2.9 million in a mortgage note encumbering approximately 97 acres of land, approximately \$17.0 million in a note receivable secured by a partnership interest in Omni Partners, L.P., owner of the Omni, a 575,000 square foot Class A office property located in Uniondale, New York and \$36.5 million under three notes which are secured by a minority partners' preferred interest in the Operating Partnership.

In July 1998, the Company formed a joint venture, Metropolitan Partners LLC ("Metropolitan"), with Crescent Real Estate Equities Company, a Texas REIT ("Crescent") for the purpose of acquiring Tower Realty Trust, Inc. ("Tower"). On May 24, 1999 the Company completed the merger with Tower and acquired three Class A office properties located in New York City totaling 1.6 million square feet and one office property located on Long Island totaling approximately 101,000 square feet. In addition, pursuant to the merger, the Company also acquired certain office properties,

a property under development and land located outside of the Tri-State Area. All of the assets acquired in the merger located outside of the Tri-State Area, other than a 357,000 square foot office property located in Orlando, Florida,

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have been sold.

The Company controls Metropolitan and owns 100% of the common equity; Crescent owns a \$85 million preferred equity investment in Metropolitan. Crescent's investment accrues distributions at a rate of 7.5% per annum for a two-year period (May 24, 1999 through May 24, 2001) and may be redeemed by Metropolitan at any time during that period for \$85 million, plus an amount sufficient to provide a 9.5% internal rate of return. If Metropolitan does not redeem the preferred interest, upon the expiration of the two-year period, Crescent must convert its \$85 million preferred interest into either (i) a common membership interest in Metropolitan or (ii) shares of the Company's Class A common stock at a conversion price of \$24.61 per share. On April 4, 2001, Crescent gave notice to the Company of its intention to convert its preferred interest into shares of the Company's Class A common stock.

On September 28, 2000, the Company formed the Tri-State JV with TIAA and contributed eight Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV in exchange for approximately \$136 million and a 51% majority ownership interest in the Tri-State JV.

### 7. STOCKHOLDERS' EQUITY

An OP Unit and a share of Class A common stock have essentially the same economic characteristics as they effectively share equally in the net income or loss and distributions of the Operating Partnership. Subject to certain holding periods OP Units may either be redeemed for cash or, at the election of the Company, exchanged for shares of Class A common stock on a one-for-one basis.

On May 24, 1999, the Company issued 11,694,567 shares of Class B Exchangeable Common Stock, par value \$.01 per share, of the Company (the "Class B common stock"), which were valued for GAAP purposes at \$26 per share for total consideration of approximately \$304.1 million. The shares of Class B common stock were entitled to receive an initial annual dividend of \$2.24 per share, which dividend is subject to adjustment annually. On July 1, 2000, the annual dividend on the Class B Common Stock was increased to \$2.40 per share.

The shares of Class B common stock are exchangeable at any time, at the option of the holder, into an equal number of shares of Class A common stock, par value \$.01 per share, of the Company subject to customary antidilution adjustments. The Company, at its option, may redeem any or all of the Class B common stock in exchange for an equal number of shares of the Company's Class A common stock at any time following November 23, 2003.

On March 12, 2001, the Board of Directors of the Company declared the following dividends on the Company's securities:

SECURITY -----	DIVIDEND / DISTRIBUTION -----	RECORD DATE ----	PAYMENT DATE ----	THREE MONTH ENDED -----
Class A common stock	\$ .386	April 5, 2001	April 17, 2001	March 31, 2001
Class B common stock	\$ .60	April 12, 2001	April 30, 2001	April 30, 2001
Series A preferred stock	\$ .4766	April 12, 2001	April 30, 2001	April 30, 2001
Series B preferred stock	\$ .52222	April 12, 2001	April 30, 2001	April 30, 2001

The Board of Directors of the Company has authorized the purchase of up to three million shares of the Company's Class B common stock. In addition, the

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Board of Directors has also authorized the purchase of up to an additional three million shares of the Company's Class B common stock and/or its Class A common stock. The buy-back program will be effected in

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accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time. As of March 31, 2001, the Company had purchased and retired 1,410,804 shares of Class B common stock for approximately \$30.3 million.

Basic net income per share on the Company's Class A common stock was calculated using the weighted average number of shares outstanding of 45,483,544 and 40,382,182 for the three months ended March 31, 2001 and 2000, respectively.

Basic net income per share on the Company's Class B common stock was calculated using the weighted average number of shares outstanding of 10,283,513 and 10,283,598 for the three months ended March 31, 2001 and 2000, respectively.

The following table sets forth the Company's reconciliation of numerators and denominators of the basic and diluted earnings per weighted average common share and the computation of basic and diluted earnings per weighted average share for the Company's Class A common stock (in thousands except for earnings per share data):

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	-----	-----
<b>Numerator:</b>		
Net Income .....	\$ 26,113	\$ 23,167
Dividends to preferred shareholders .....	(5,425)	(7,325)
Income allocated to Class B common shareholders .....	(5,380)	(4,396)
	-----	-----
Numerator for basic and diluted earnings per Class A common share.....	\$ 15,308	\$ 11,446
	=====	=====
<b>Denominator:</b>		
Denominator for basic earnings per share- weighted average Class A common shares .....	45,484	40,382
<b>Effect of dilutive securities:</b>		
Employee stock options .....	466	327
	-----	-----
Denominator for diluted earnings per Class A common share -- adjusted weighted average shares and assumed conversions .....	45,950	40,709
	=====	=====
<b>Basic earnings per Class A common share:</b>		
Net income per Class A common share .....	\$ .34	\$ .28
	=====	=====
<b>Diluted earnings per Class A common share:</b>		
Diluted net income per Class A common share .....	\$ .33	\$ .28
	=====	=====

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The following table sets forth the Company's reconciliation of numerators and denominators of the basic and diluted earnings per weighted average common share and the computation of basic and diluted earnings per weighted average share for the Company's Class B common stock (in thousands except for earnings per share data):

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	----	----
Numerator:		
Net Income .....	\$ 26,113	\$ 23,403
Dividends to preferred shareholders .....	(5,425)	(7,115)
Income allocated to Class A common shareholders .....	(15,308)	(11,308)
	-----	-----
Numerator for basic earnings per Class B common share .....	5,380	4,982
Add back:		
Income allocated to Class A common shareholders .....	15,308	11,308
Limited partners' minority interest in the operating partnership .....	2,715	2,715
	-----	-----
Numerator for diluted earnings per Class B common share .....	\$ 23,403	\$ 18,892
	=====	=====
Denominator:		
Denominator for basic earnings per share- weighted average Class B common shares .....	10,284	10,284
Effect of dilutive securities:		
Weighted average Class A common shares outstanding .....	45,484	40,000
Weighted average OP Units outstanding .....	7,693	7,693
Employee stock options .....	466	466
	-----	-----
Denominator for diluted earnings per Class B common share-adjusted weighted average shares and assumed conversions .....	63,927	58,846
	=====	=====
Basic earnings per Class B common share:		
Net income per Class B common share .....	\$ .52	\$ .52
	=====	=====
Diluted earnings per Class B common share:		
Diluted net income per Class B common share .....	\$ .37	\$ .37
	=====	=====

8. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION (in thousands)

THREE MONTHS ENDED  
MARCH 31,

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	----- 2001 -----	----- 2000 -----
Cash paid during the period for interest .....	\$34,950	\$33,306
	=====	=====
Interest capitalized during the period .....	\$ 2,703	\$ 2,362
	=====	=====

9. SEGMENT DISCLOSURE

The Company owns all of the interests in its real estate properties by or through the Operating Partnership. The Company's portfolio consists of Class A office properties located within the New York City metropolitan area and Class A suburban office and industrial properties located and operated within the Tri-State Area (the "Core Portfolio"). The Company's portfolio also includes one office property located in Orlando, Florida. The Company has managing directors who report directly to the Chief Operating Officers and Chief Financial Officer who have been identified as the Chief Operating Decision Makers because of their final authority over resource allocation, decisions and performance assessment.

In addition, the Company does not consider (i) interest incurred on its Credit Facility and Senior Unsecured Notes, (ii) the operating performance of the office property located in Orlando, Florida

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and (iii) commencing January 1, 2000, the operating performance of the industrial joint venture properties formerly owned by Reckson Morris Operating Partnership, L.P. as part of its Core Portfolio's property operating performance.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

The following table sets forth the components of the Company's revenues and expenses and other related disclosures for the three months ended March 31, 2001 and 2000 (in thousands):

	----- THREE MONTHS ENDED -----			
	MARCH 31, 2001			
	CORE PORTFOLIO	OTHER	CONSOLIDATED TOTALS	CORE PORTFOLIO
	-----	-----	-----	-----
REVENUES:				
Base rents, tenant escalations and reimbursements .....	\$ 120,722	\$ 2,717	\$ 123,439	\$ 104,821
Equity in earnings of real estate joint ventures and service companies .....	--	398	398	--
Other income .....	549	6,500	7,049	406
	-----	-----	-----	-----
Total Revenues .....	121,271	9,615	130,886	105,227

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EXPENSES:				
Property operating expenses .....	40,354	640	40,994	37,621
Marketing, general and administrative .....	4,624	2,873	7,497	4,967
Interest .....	12,906	10,725	23,631	9,192
Depreciation and amortization .....	21,535	1,986	23,521	19,334
Total Expenses .....	79,419	16,224	95,643	71,114
Income (loss) before minority interests and preferred dividends and distributions .....	\$ 41,852	\$ (6,609)	\$ 35,243	\$ 34,113
Total assets .....	\$ 2,449,621	\$ 614,023	\$ 3,063,644	\$ 2,069,161

10. OTHER INVESTMENTS AND ADVANCES

During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"). In connection with the formation of FrontLine, the Operating Partnership established a credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. As of March 31, 2001, the Company had advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \_\_\_ \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under terms similar to the FrontLine Facility. During March 2001, the Company increased the RSVP Commitment to \$110 million and as of March 31, 2001, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$67.7 million represents investments in RSVP-controlled (REIT-qualified) joint ventures and \$41.4 million represents advances. In addition, as of March 31, 2001, the Company, through its Credit Facility, has allocated approximately \$3.2 million in outstanding undrawn letters of credit for the benefit of FrontLine. As of March 31, 2001, interest accrued under the FrontLine Facility and RSVP Commitment was approximately \$18.1 million.

Both the FrontLine Facility and the RSVP Commitment have a term of five years and advances under each are recourse obligations of FrontLine. Interest accrues on advances made under the credit facilities at a rate equal to the greater of (a) the prime rate plus two percent and (b) 12% per annum, with the rate on amounts that are outstanding for more than one year increasing annually at a rate of

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four percent of the prior year's rate. In March 2001, the credit facilities were amended to provide that (i) interest is payable only at maturity and (ii) the Company may transfer all or any portion of its rights or obligations under the credit facilities to its affiliates. The Company requested these changes as a result of changes in REIT tax laws.

FrontLine currently owns an interest in HQ Global Holdings, Inc., one of the largest providers of flexible officing solutions in the world, interests in its e-commerce and e-services partner companies and its interest in RSVP which invests primarily in real estate and real estate related operating companies generally outside of the Company's core office and industrial focus.

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

The following discussion should be read in conjunction with the accompanying Consolidated Financial Statements of Reckson Associates Realty Corp. (the "Company") and related notes thereto.

The Company considers certain statements set forth herein to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the Company's expectations for future periods. Certain forward-looking statements, including, without limitation, statements relating to the timing and success of acquisitions and the completion of development or redevelopment of properties, the financing of the Company's operations, the ability to lease vacant space and the ability to renew or relet space under expiring leases, involve certain risks and uncertainties. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, the actual results may differ materially from those set forth in the forward-looking statements and the Company can give no assurance that its expectation will be achieved. Certain factors that might cause the results of the Company to differ materially from those indicated by such forward-looking statements include, among other factors, general economic conditions, general real estate industry risks, tenant default and bankruptcies, loss of major tenants, the impact of competition and acquisition, redevelopment and development risks including delays in completion and cost overruns, the ability to finance business opportunities, risk of repayment of debt owed to the Company, risks associated with joint ventures, increases in interest rates and local real estate risks such as an oversupply of space or a reduction in demand for real estate in the Company's real estate markets. Consequently, such forward-looking statements should be regarded solely as reflections of the Company's current operating and development plans and estimates. These plans and estimates are subject to revisions from time to time as additional information becomes available, and actual results may differ from those indicated in the referenced statements.

OVERVIEW AND BACKGROUND

The Company is a self-administered and self-managed real estate investment trust ("REIT") specializing in the acquisition, leasing, financing, management and development of office and industrial properties. The Company's growth strategy is focused on the real estate markets in and around the New York tri-state area (the "Tri-State Area").

The Company owns all of the interests in its real properties through Reckson Operating Partnership, L.P. (the "Operating Partnership"). As of March 31, 2001, the Company owned and operated 82 office properties (inclusive of ten office properties which are owned through joint ventures) comprising approximately 14.4 million square feet, 104 industrial properties comprising approximately 6.8 million square feet and two retail properties comprising

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approximately 20,000 square feet located in the Tri-State Area. During the quarter ended March 31, 2001, the Company completed the development of one office property encompassing approximately 277,500 square feet and one industrial property encompassing approximately 206,000 square feet. Both of these properties are located on Long Island. As of March 31, 2001, the Company is in the process of developing a 315,000 square foot office building located in New Jersey. The Company also owns a 357,000 square foot office building located in Orlando, Florida and approximately 290 acres of land in 13 separate parcels of which the Company can develop approximately 1.4 million square feet of office space and approximately 224,000 square feet of industrial space. The Company also has invested approximately \$2.9 million in a mortgage note encumbering approximately 97 acres of land, approximately \$17.0 million in a note receivable secured by a partnership interest in Omni Partners, L.P., owner of the Omni, a 575,000 square foot Class A office property located in Uniondale, New York and \$36.5 million under three notes which are secured by a minority partners' preferred interest in the Operating Partnership.

During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"). In connection with the formation of FrontLine, the Operating Partnership established a credit facility

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with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. As of March 31, 2001, the Company had advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under terms similar to the FrontLine Facility. During March 2001, the Company increased the RSVP Commitment to \$110 million and as of March 31, 2001, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$67.7 million represents investments in RSVP-controlled (REIT-qualified) joint ventures and \$41.4 million represents advances. In addition, as of March 31, 2001, the Company, through its unsecured credit facility, has allocated approximately \$3.2 million in outstanding undrawn letters of credit for the benefit of FrontLine. As of March 31, 2001, interest accrued under the FrontLine Facility and RSVP Commitment was approximately \$18.1 million.

Both the FrontLine Facility and the RSVP Commitment have a term of five years and advances under each are recourse obligations of FrontLine. Interest accrues on advances made under the credit facilities at a rate equal to the greater of (a) the prime rate plus two percent and (b) 12% per annum, with the rate on amounts that are outstanding for more than one year increasing annually at a rate of four percent of the prior year's rate. In March 2001, the credit facilities were amended to provide that (i) interest is payable only at maturity and (ii) the Company may transfer all or any portion of its rights or obligations under the credit facilities to its affiliates. The Company requested these changes as a result of changes in REIT tax laws.

FrontLine currently owns an interest in HQ Global Holdings, Inc., one of the largest providers of flexible officing solutions in the world, interests in its e-commerce and e-services partner companies and its interest in RSVP which invests primarily in real estate and real estate related operating companies generally outside of the Company's core office and industrial focus.

In July 1998, the Company formed a joint venture, Metropolitan Partners LLC ("Metropolitan"), with Crescent Real Estate Equities Company, a Texas REIT



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("Crescent") for the purpose of acquiring Tower Realty Trust, Inc. ("Tower"). On May 24, 1999 the Company completed the merger with Tower and acquired three Class A office properties located in New York City totaling 1.6 million square feet and one office property located on Long Island totaling approximately 101,000 square feet. In addition, pursuant to the merger, the Company also acquired certain office properties, a property under development and land located outside of the Tri-State Area. All of the assets acquired in the merger located outside of the Tri-State Area, other than a 357,000 square foot office property located in Orlando, Florida, have been sold.

The Company controls Metropolitan and owns 100% of the common equity; Crescent owns a \$85 million preferred equity investment in Metropolitan. Crescent's investment accrues distributions at a rate of 7.5% per annum for a two-year period (May 24, 1999 through May 24, 2001) and may be redeemed by Metropolitan at any time during that period for \$85 million, plus an amount sufficient to provide a 9.5% internal rate of return. If Metropolitan does not redeem the preferred interest, upon the expiration of the two-year period, Crescent must convert its \$85 million preferred interest into either (i) a common membership interest in Metropolitan or (ii) shares of the Company's Class A common stock at a conversion price of \$24.61 per share. On April 4, 2001, Crescent gave notice to the Company of its intention to convert its preferred interest into shares of the Company's Class A common stock.

On September 28, 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association and contributed eight Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV in exchange for approximately \$136 million and a 51% majority ownership interest in the Tri-State JV.

The market capitalization of the Company at March 31, 2001 was approximately \$3.3 billion. The Company's market capitalization is based on the sum of (i) the market value of the Company's Class A common stock and common units of limited partnership interest in the Operating Partnership ("OP

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Units") (assuming conversion) of \$22.30 per share/unit (based on the closing price of the Company's Class A common stock on March 31, 2001), (ii) the market value of the Company's Class B common stock of \$23.55 per share (based on the closing price of the Company's Class B common stock on March 31, 2001), (iii) the liquidation preference value of the Company's Series A preferred and Series B preferred stock of \$25 per share, (iv) the liquidation preference value of the Operating Partnership's preferred units of \$1,000 per unit, (v) the contributed value of Metropolitan's preferred interest of \$85 million and (vi) the approximately \$1.5 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) of debt outstanding at March 31, 2001. As a result, the Company's total debt to total market capitalization ratio at March 31, 2001 equaled approximately 44.3%.

### RESULTS OF OPERATIONS

The Company's total revenues increased by \$13.2 million or 11.2% for the three months ended March 31, 2001 as compared to the 2000 period. Property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues") increased by \$16.2 million or 15.1% for the three months ended March 31, 2001 as compared to the 2000 period. The increase in Property Operating Revenues is primarily attributable to approximately \$10.3 million from increases in occupancies and rental rates in our "same store" properties. In addition, approximately \$2.7 million of the increase was generated by developed and redeveloped properties. The Company's

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base rent reflects the positive impact of the straight-line rent adjustment of \$11.2 million for the three months ended March 31, 2001 as compared to \$4.5 million for the 2000 period. Included in the \$11.2 million straight-line rent adjustment is \$7.5 million attributable to 919 Third Avenue as compared to \$1.1 million for the 2000 period. This amount is primarily attributable to the free rent period contained in the lease of the largest tenant in the building. The free rent period is effective through February 28, 2002.

Property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by \$2.7 million or 7.1% for the three months ended March 31, 2001 as compared to the 2000 period. This increase is primarily due to an increase of \$2.4 million in our "same-store" properties

Gross Operating Margins (defined as Property Operating Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for the three months ended March 31, 2001 and 2000 were 66.8% and 64.3%, respectively. The increase in Gross Operating Margins is primarily attributable to the increase in rental rates and occupancy levels.

Marketing, general and administrative expenses increased by approximately \$1.1 million for the three months ended March 31, 2001 as compared to the 2000 period. Marketing, general and administrative expenses as a percentage of total revenues were 5.7% for the three months ended March 31, 2001 as compared to 5.5% for the 2000 period.

Interest expense decreased by approximately \$209,000 for the three months ended March 31, 2001 as compared to the 2000 period.

### LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2001, the Company had a three year \$575 million unsecured revolving credit facility (the "Credit Facility") from The Chase Manhattan Bank, as administrative agent, UBS Warburg LLC as syndication agent and Deutsche Bank as documentation agent. The Credit Facility matures in September, 2003 and borrowings under the Credit Facility are currently priced off of LIBOR plus 105 basis points.

The Company utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working capital purposes. At September 30, 2000, the Company had availability under the Credit Facility to borrow an additional \$270.4 million (of which, approximately \$49.6 million has been allocated for outstanding undrawn letters of credit).

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On May 24, 1999, the Company issued 11,694,567 shares of Class B Exchangeable Common Stock, par value \$.01 per share, of the Company (the "Class B common stock"), which were valued for accounting principles generally accepted in the United States ("GAAP") purposes at \$26 per share for total consideration of approximately \$304.1 million. The shares of Class B common stock were entitled to receive an initial annual dividend of \$2.24 per share, which dividend is subject to adjustment annually. On July 1, 2000, the annual dividend on the Class B Common Stock was increased to \$2.40 per share.

The shares of Class B common stock are exchangeable at any time, at the option of the holder, into an equal number of shares of Class A common stock, par value \$.01 per share, of the Company subject to customary antidilution adjustments. The Company, at its option, may redeem any or all of the Class B common stock in exchange for an equal number of shares of the Company's Class A common stock at any time following November 23, 2003.

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The Board of Directors of the Company has authorized the purchase of up to three million shares of the Company's Class B common stock. In addition, the Board of Directors has also authorized the purchase of up to an additional three million shares of the Company's Class B common stock and/or its Class A common stock. The buy-back program will be effected in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time. As of March 31, 2001, the Company had purchased and retired 1,410,804 shares of Class B Common Stock for approximately \$30.3 million.

The Company's indebtedness at March 31, 2001 totaled approximately \$1.5 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) and was comprised of \$304.6 million outstanding under the Credit Facility, approximately \$449.4 million of senior unsecured notes and approximately \$713.0 million of mortgage indebtedness. Based on the Company's total market capitalization of approximately \$3.3 billion at March 31, 2001 (calculated based on the sum of (i) the market value of the Company's Class A common stock and OP Units, assuming conversion, (ii) the market value of the Company's Class B common stock, (iii) the liquidation preference value of the Company's preferred stock, (iv) the liquidation preference value of the Operating Partnership's preferred units, (v) the contributed value of Metropolitan's preferred interest and (vi) the \$1.5 billion of debt), the Company's debt represented approximately 44.3% of its total market capitalization.

Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service and capital expenditures, excluding non-recurring capital expenditures of the Company. The Company expects to meet its short-term liquidity requirements generally through its net cash provided by operating activities along with the Credit Facility previously discussed. The Company expects to meet certain of its financing requirements through long-term secured and unsecured borrowings and the issuance of debt and equity securities of the Company. In addition, the Company also believes that it will, from time to time, generate funds from the disposition of certain of its real estate properties or interests therein. The Company will refinance existing mortgage indebtedness or indebtedness under the Credit Facility at maturity or retire such debt through the issuance of additional debt securities or additional equity securities. The Company anticipates that the current balance of cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and equity offerings, will be adequate to meet the capital and liquidity requirements of the Company in both the short and long-term.

In order to qualify as a REIT for federal income tax purposes, the Company is required to make distributions to its stockholders of at least 90% of REIT taxable income. The Company expects to use its cash flow from operating activities for distributions to stockholders and for payment of recurring, non-incremental revenue-generating expenditures. The Company intends to invest amounts accumulated for distribution in short-term investments.

### INFLATION

The office leases generally provide for fixed base rent increases or indexed escalations. In addition, the office leases provide for separate escalations of real estate taxes, operating expenses and electric costs over a base amount. The industrial leases generally provide for fixed base rent increases,

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direct pass through of certain operating expenses and separate real estate tax escalations over a base amount. The Company believes that inflationary increases in expenses will be offset by contractual rent increases and expense escalations described above.

The Credit Facility and certain mortgage notes payable bear interest at a variable rate, which will be influenced by changes in short-term interest rates, and are sensitive to inflation.

### FUNDS FROM OPERATIONS

Management believes that funds from operations ("FFO") is an appropriate measure of performance of an equity REIT. FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income or loss, excluding gains or losses from debt restructuring and sales of properties plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States ("GAAP") and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. In November 1999, NAREIT issued a "White Paper" analysis to address certain interpretive issues under its definition of FFO. The White Paper provides that FFO should include both recurring and non-recurring operating results, except those results defined as "extraordinary items" under GAAP. This revised definition is effective for all periods beginning on or after January 1, 2000.

Since all companies and analysts do not calculate FFO in a similar fashion, the Company's calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies.

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The following table presents the Company's FFO calculation (unaudited and in thousands, except per share/unit data):

	THREE MONTHS MARCH 31
	2001
Net income available to common shareholders .....	\$ 20,688
Adjustments for basic funds from operations:	
Add:	
Limited partners' minority interest in the operating partnership .....	2,715
Real estate depreciation and amortization .....	22,988
Minority partners' interests in consolidated partnerships .....	5,755
Less:	
Amounts distributable to minority partners in consolidated partnerships .....	5,701
Basic Funds From Operations ("FFO") .....	46,445
Add:	
Dividends and distributions on dilutive shares and units .....	7,679
	-----

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Diluted FFO .....	\$ 54,124
	=====
Basic FFO calculations:	
Weighted average common shares outstanding .....	55,767
Weighted average units of limited partnership interest outstanding .....	7,693
	-----
Basic weighted average common shares and units outstanding .....	63,460
	=====
Basic FFO per weighted average common share or unit .....	\$ .73
Basic weighted average dividends or distributions per share or unit .....	\$ .42
Basic FFO payout ratio .....	57.5%
Diluted FFO calculations:	
Basic weighted average common shares and units outstanding .....	63,460
Adjustments for dilutive FFO weighted average shares and units outstanding:	
Add:	
Weighted average common stock equivalents .....	466
Weighted average shares of Series A Preferred Stock .....	8,060
Weighted average shares of Series B Preferred Stock .....	1,919
Weighted average shares of minority partners preferred interest .....	3,454
Weighted average units of preferred limited partnership interest .....	1,367
	-----
Dilutive FFO weighted average shares and units outstanding .....	78,726
	=====
Diluted FFO per weighted average share or unit .....	\$ .69
Diluted weighted average dividends or distributions per share or unit .....	\$ .41
Diluted FFO payout ratio .....	60.2%

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The following table presents the Company's CAD calculation (unaudited and in thousands, except per share/unit data):

	THREE MONTHS ENDED MARCH 31, 2001
	-----
Basic Funds From Operations .....	\$ 46,445
Adjustments for basic cash available for distribution:	
Less:	
Straight line rents (Note a) .....	11,159
Non-incremental capitalized tenant improvements and leasing commissions .....	2,646
Non-incremental capitalized improvements .....	635
	-----
Basic Cash Available for Distribution ("CAD") .....	32,005
Add:	
Dividends and distributions on dilutive shares and units .....	1,866
	-----
Diluted CAD .....	\$ 33,871
	=====
Basic CAD calculations:	

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Weighted average common shares outstanding .....	55,767
Weighted average units of limited partnership interest outstanding .....	7,693
	-----
Basic weighted average common shares and units outstanding .....	63,460
	=====
Basic CAD per weighted average common share or unit .....	\$ .50
Basic weighted average dividends or distributions per share or unit .....	\$ .42
Basic CAD payout ratio .....	83.4%
Diluted CAD calculations:	
Basic weighted average common shares and units outstanding .....	63,460
Adjustments for dilutive CAD weighted average shares and units outstanding:	
Add:	
Weighted average common stock equivalents .....	466
Weighted average shares of Series A Preferred Stock .....	--
Weighted average shares of Series B Preferred Stock .....	--
Weighted average shares of minority partners'preferred interest .....	3,454
Weighted average units of preferred limited partnership interest .....	598
	-----
Dilutive CAD weighted average shares and units outstanding .....	67,978
	=====
Diluted CAD per weighted average share or unit .....	\$ .50
Diluted weighted average dividends or distributions per share or unit .....	\$ .42
Diluted CAD payout ratio .....	84.0%

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### Notes:

- (a) Includes straight line rental income attributable to the property located at 919 Third Avenue, New York, N. Y. of \$7,504 and \$1,075, respectively.

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### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The primary market risk facing the Company is interest rate risk on its long term debt, mortgage notes and notes receivable. The Company will, when advantageous, hedge its interest rate risk using financial instruments. The Company is not subject to foreign currency risk.

The Company manages its exposure to interest rate risk on its variable rate indebtedness by borrowing on a short-term basis under its Credit Facility until such time as it is able to retire the short-term variable rate debt with either a long-term fixed rate debt offering, long term mortgage debt, equity offerings or through sales or partial sales of assets.

The Company will recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

The fair market value ("FMV") of the Company's long term debt, mortgage notes and notes receivable is estimated based on discounting future cash flows at interest rates that management believes reflects the risks associated with long term debt, mortgage notes and notes receivable of similar risk and

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duration.

The following table sets forth the Company's long term debt obligations by scheduled principal cash flow payments and maturity date, weighted average interest rates and estimated FMV at March 31, 2001 (dollars in thousands):

	FOR THE YEAR ENDED DECEMBER 31,			
	2001	2002	2003	2004
Long term debt:				
Fixed rate .....	\$ 21,342	\$ 17,012	\$ 8,905	\$ 112,276
Weighted average interest rate .....	7.57%	7.80%	7.79%	7.50%
Variable rate .....	\$ 70,000	\$ --	\$ 504,600	\$ --
Weighted average interest rate .....	6.94%	--	6.68%	--

	THEREAFTER	TOTAL (1)	FMV
Long term debt:			
Fixed rate .....	\$ 737,094	\$ 907,088	\$ 911,805
Weighted average interest rate .....	7.56%	7.56%	
Variable rate .....	\$ --	\$ 574,600	\$ 574,600
Weighted average interest rate .....	--	6.71%	

(1) Includes unamortized issuance discounts of \$596,000 on the 5 and 10 year senior unsecured notes issued on March 26, 1999 which are due at maturity.

In addition, the Company has assessed the market risk for its variable rate debt, which is based upon LIBOR, and believes that a one percent increase in the LIBOR rate would have an approximate \$5.8 million annual increase in interest expense based on approximately \$574.6 million of variable rate debt outstanding at March 31, 2001.

The following table sets forth the Company's mortgage notes and note receivables by scheduled maturity date, weighted average interest rates and estimated FMV at March 31, 2001 (dollars in thousands):

	FOR THE YEAR ENDED DECEMBER 31,					THE
	2001	2002	2003	2004	2005	
Mortgage notes and notes receivable:						
Fixed rate .....	\$ 12	\$ 4,208	\$ --	\$ 36,500	\$ --	\$
Weighted average Interest rate .....	9.00%	10.08%	--	10.23%	--	

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(2) Excludes interest receivables aggregating approximately \$512,000.

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SUPPLEMENTAL INFORMATION ON CAPITAL EXPENDITURES,  
TENANT IMPROVEMENT COSTS AND LEASING COMMISSIONS

The following table summarizes the expenditures incurred for capital expenditures for the entire portfolio and tenant improvements and leasing commissions for space leased at the Company's office and industrial properties for the three months ended March 31, 2001 and a historical average of such non-incremental capital expenditures, tenant improvements and leasing commissions for the years 1997 through 2000.

NON-INCREMENTAL REVENUE GENERATING CAPITAL EXPENDITURES

	1997	1998	1999	2000	1997 AVE
	----	----	----	----	----
SUBURBAN OFFICE PROPERTIES					
Total .....	\$ 1,108,675	\$ 2,004,976	\$ 2,298,899	\$ 3,289,116	\$ 2,
Per Square Foot .....	0.22	0.23	0.23	0.33	
CBD OFFICE PROPERTIES					
Total .....	N/A	N/A	N/A	\$ 946,718	\$
Per Square Foot	N/A	N/A	N/A	0.38	
INDUSTRIAL PROPERTIES					
Total .....	\$ 733,233	\$ 1,205,266	\$ 1,048,688	\$ 813,431	\$
Per Square Foot .....	0.15	0.12	0.11	0.11	

NON-INCREMENTAL REVENUE GENERATING TENANT IMPROVEMENTS AND LEASING COMMISSIONS

	1997	1998	1999
	-----	-----	-----
LONG ISLAND OFFICE PROPERTIES			
Tenant Improvements .....	\$ 784,044	\$ 1,140,251	\$ 1,009,357
Per Square Foot Improved .....	7.00	3.98	4.73
Leasing Commissions .....	\$ 415,822	\$ 418,191	\$ 551,762
Per Square Foot Leased .....	4.83	1.46	2.59
Total Per Square Foot .....	\$ 11.83	\$ 5.44	\$ 7.32
	=====	=====	=====
WESTCHESTER OFFICE PROPERTIES			
Tenant Improvements .....	\$1,211,665	\$ 711,160	\$ 1,316,611
Per Square Foot Improved .....	8.90	4.45	5.62
Leasing Commissions .....	\$ 366,257	\$ 286,150	\$ 457,730
Per Square Foot Leased .....	2.69	1.79	1.96



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Total Per Square Foot .....	\$ 11.59	\$ 6.24	\$ 7.58	
CONNECTICUT OFFICE PROPERTIES				
Tenant Improvements .....	\$1,022,421	\$ 202,880	\$ 179,043	
Per Square Foot Improved .....	13.39	5.92	4.88	
Leasing Commissions .....	\$ 256,615	\$ 151,063	\$ 110,252	
Per Square Foot Leased .....	3.36	4.41	3.00	
Total Per Square Foot .....	\$ 16.75	\$ 10.33	\$ 7.88	
NEW JERSEY OFFICE PROPERTIES				
Tenant Improvements .....	N/A	\$ 654,877	\$ 454,054	
Per Square Foot Improved .....	N/A	3.78	2.29	
Leasing Commissions .....	N/A	\$ 396,127	\$ 787,065	
Per Square Foot Leased .....	N/A	2.08	3.96	
Total Per Square Foot .....	N/A	\$ 5.86	\$ 6.25	
NEW YORK CITY OFFICE PROPERTIES				
Tenant Improvements .....	N/A	N/A	N/A	
Per Square Foot Improved .....	N/A	N/A	N/A	
Leasing Commissions .....	N/A	N/A	N/A	
Per Square Foot Leased .....	N/A	N/A	N/A	
Total Per Square Foot .....	N/A	N/A	N/A	
INDUSTRIAL PROPERTIES				
Tenant Improvements .....	\$ 230,466	\$ 283,842	\$ 375,646	
Per Square Foot Improved .....	0.55	0.76	0.25	
Leasing Commissions .....	\$ 81,013	\$ 200,154	\$ 835,108	
Per Square Foot Leased .....	0.19	0.44	0.56	
Total Per Square Foot .....	\$ 0.74	\$ 1.20	\$ 0.81	
	2000	1997 -2000 AVERAGE	1Q01	NEW
LONG ISLAND OFFICE PROPERTIES				
Tenant Improvements .....	\$ 2,853,706	\$ 1,466,840	\$ 497,179	\$ 342,564
Per Square Foot Improved .....	6.99	5.68	8.97	17.24
Leasing Commissions .....	\$ 2,208,604	\$ 898,595	\$ 273,542	\$ 78,276
Per Square Foot Leased .....	4.96	3.46	4.93	3.91
Total Per Square Foot .....	\$ 11.95	\$ 9.14	\$ 13.90	\$ 21.15
WESTCHESTER OFFICE PROPERTIES				
Tenant Improvements .....	\$ 1,860,027	\$ 1,274,866	\$ 374,274	\$ 167,649
Per Square Foot Improved .....	5.72	6.17	4.70	7.34
Leasing Commissions .....	\$ 412,226	\$ 380,591	\$ 32,295	\$ 39,295
Per Square Foot Leased .....	3.00	2.36	0.49	1.72
Total Per Square Foot .....	\$ 8.72	\$ 8.53	\$ 5.19	\$ 9.06

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CONNECTICUT OFFICE PROPERTIES

Tenant Improvements .....	\$ 385,531	\$ 447,469	\$ 101,980	\$ 101,980	\$
Per Square Foot Improved .....	4.19	7.10	1.72	5.78	
Leasing Commissions .....	\$ 453,435	\$ 242,841	\$ 96,929	\$ 96,929	\$
Per Square Foot Leased .....	4.92	3.92	1.63	5.50	
	-----	-----	-----	-----	
Total Per Square Foot .....	\$ 9.11	\$ 11.02	\$ 3.35	\$ 11.28	\$
	=====	=====	=====	=====	

NEW JERSEY OFFICE PROPERTIES

Tenant Improvements .....	\$ 1,580,323	\$ 896,418	\$ 85,671	\$ 52,477	\$
Per Square Foot Improved .....	6.71	4.26	2.08	1.69	
Leasing Commissions .....	\$ 1,031,950	\$ 738,381	\$ 154,956	\$ 129,218	\$
Per Square Foot Leased .....	4.44	3.49	3.77	4.17	
	-----	-----	-----	-----	
Total Per Square Foot .....	\$ 11.15	\$ 7.75	\$ 5.85	\$ 5.86	\$
	=====	=====	=====	=====	

NEW YORK CITY OFFICE PROPERTIES

Tenant Improvements .....	\$ 65,267	\$ 65,267	\$ 688,800	\$ 688,800	\$
Per Square Foot Improved .....	1.79	1.79	23.01	23.01	
Leasing Commissions .....	\$ 418,185	\$ 418,185	\$ 474,229	\$ 474,229	\$
Per Square Foot Leased .....	11.50	11.50	15.84	15.84	
	-----	-----	-----	-----	
Total Per Square Foot .....	\$ 13.29	\$ 13.29	\$ 38.85	\$ 38.85	\$
	=====	=====	=====	=====	

INDUSTRIAL PROPERTIES

Tenant Improvements .....	\$ 650,216	\$ 385,043	\$ 34,650	\$ 34,650	\$
Per Square Foot Improved .....	0.95	0.63	0.29	0.55	
Leasing Commissions .....	\$ 436,506	\$ 388,195	\$ 50,055	\$ 50,055	\$
Per Square Foot Leased .....	0.64	0.46	0.42	0.79	
	-----	-----	-----	-----	
Total Per Square Foot .....	\$ 1.59	\$ 1.09	\$ 0.71	\$ 1.34	\$
	=====	=====	=====	=====	

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LEASE EXPIRATIONS

The following table sets forth scheduled lease expirations for executed leases as of March 31, 2001:

LONG ISLAND OFFICE PROPERTIES (EXCLUDING OMNI):

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
-----	-----	-----	-----	-----
2001 .....	36	168,126	5.1%	\$ 22.25
2002 .....	33	165,326	5.1%	\$ 21.98
2003 .....	48	297,892	9.1%	\$ 22.32
2004 .....	46	274,809	8.4%	\$ 23.21
2005 .....	65	599,698	18.3%	\$ 23.42
2006 .....	15	76,583	2.3%	\$ 26.38

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2007 AND THEREAFTER .....	81	1,688,317	51.7%	--
	--	-----	-----	
TOTAL .....	324	3,270,751	100.0%	
	===	=====	=====	

OMNI:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
-----	-----	-----	-----	-----
2001 .....	3	22,931	3.9%	\$ 29.09
2002 .....	4	53,127	9.0%	\$ 34.55
2003 .....	4	58,018	9.8%	\$ 30.22
2004 .....	4	112,414	19.0%	\$ 26.12
2005 .....	7	59,166	10.0%	\$ 27.99
2006 .....	1	9,749	1.6%	\$ 35.21
2007 AND THEREAFTER .....	10	276,259	46.7%	--
	--	-----	-----	
TOTAL .....	33	591,664	100.0%	
	==	=====	=====	

INDUSTRIAL PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
-----	-----	-----	-----	-----
2001 .....	21	376,385	7.7%	\$ 6.28
2002 .....	28	246,504	5.0%	\$ 6.47
2003 .....	29	735,934	15.0%	\$ 5.35
2004 .....	33	623,753	12.7%	\$ 6.25
2005 .....	22	427,994	8.7%	\$ 5.93
2006 .....	27	834,717	17.0%	\$ 6.29
2007 AND THEREAFTER .....	36	1,664,940	33.9%	--
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TOTAL .....	196	4,910,227	100.0%	
	===	=====	=====	

LEASE EXPIRATIONS - (CONTINUED)

RESEARCH AND DEVELOPMENT PROPERTIES:

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YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
2001 .....	7	276,830	21.2%	\$ 5.63
2002 .....	3	118,620	9.1%	\$ 10.19
2003 .....	4	37,938	2.9%	\$ 9.20
2004 .....	9	99,218	7.6%	\$ 13.86
2005 .....	5	367,556	28.2%	\$ 8.49
2006 .....	6	90,217	6.9%	\$ 17.46
2007 AND THEREAFTER .....	14	314,417	24.1%	--
	--	-----	-----	
TOTAL .....	48	1,304,796	100.0%	
	===	=====	=====	

WESTCHESTER OFFICE PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
2001 .....	29	184,244	5.9%	\$ 21.09
2002 .....	45	412,680	13.2%	\$ 21.08
2003 .....	43	247,349	7.9%	\$ 22.12
2004 .....	30	164,634	5.2%	\$ 21.09
2005 .....	52	415,469	13.3%	\$ 23.92
2006 .....	24	643,346	20.5%	\$ 22.20
2007 AND THEREAFTER .....	41	1,065,724	34.0%	--
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TOTAL .....	264	3,133,446	100.0%	
	===	=====	=====	

STAMFORD OFFICE PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
2001 .....	25	67,832	6.3%	\$ 23.36
2002 .....	18	85,900	8.0%	\$ 27.67
2003 .....	17	140,239	13.0%	\$ 31.22
2004 .....	19	226,883	21.1%	\$ 21.76
2005 .....	24	118,425	11.0%	\$ 26.81
2006 .....	17	271,239	25.2%	\$ 24.31
2007 AND THEREAFTER .....	16	165,170	15.4%	--
	--	-----	-----	
TOTAL .....	136	1,075,688	100.0%	
	===	=====	=====	

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LEASE EXPIRATIONS - (CONTINUED)

NEW JERSEY OFFICE PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1)
2001 .....	13	183,633	8.7%	\$ 17.85
2002 .....	22	171,446	8.1%	\$ 20.02
2003 .....	23	333,689	15.7%	\$ 19.03
2004 .....	34	241,737	11.4%	\$ 22.51
2005 .....	31	344,775	16.3%	\$ 23.19
2006 .....	12	179,319	8.5%	\$ 22.38
2007 AND THEREAFTER .....	17	663,491	31.3%	--
	--	-----	-----	
TOTAL .....	152	2,118,090	100.0%	
	===	=====	=====	

NEW YORK CITY OFFICE

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1)
2001 .....	14	100,853	2.9%	\$ 32.30
2002 .....	22	190,615	5.6%	\$ 32.62
2003 .....	7	115,726	3.4%	\$ 31.89
2004 .....	20	224,975	6.6%	\$ 36.53
2005 .....	37	457,063	13.4%	\$ 34.76
2006 .....	47	339,560	9.9%	\$ 29.70
2007 AND THEREAFTER .....	75	1,989,668	58.2%	--
	--	-----	-----	
TOTAL .....	222	3,418,460	100.0%	
	===	=====	=====	

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 (1) Per square foot rental rate represents annualized straight line rent as of the lease expiration date.

(2) Per square foot rental rate represents annualized base rent as of the lease expiration date plus non-recoverable operating expense pass-throughs.

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- Item 1. Legal Proceedings -- None
- Item 2. Changes in Securities and use of proceeds -- None
- Item 3. Defaults Upon Senior Securities -- None
- Item 4. Submission of Matters to a Vote of Securities Holders -- None
- Item 5. Other information -- None
- Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

- 10.1 Second Amendment to the Amended and Restated Credit Agreements, dated March 30, 2001, between Reckson Operating Partnership, L.P. and FrontLine Capital Group

b) Reports on Form 8-K

During the three months ended March 31, 2001, the Registrant filed the following reports on Form 8-K:

On March 5, 2001, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit its fourth quarter presentation in satisfaction of the requirements of Regulation FD.

On March 8, 2001, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit supplemental operating and financial data for the quarter and year ended December 31, 2000 in satisfaction of the requirements of Regulation FD.

SIGNATURES

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

RECKSON ASSOCIATES REALTY CORP.

By: \s\ Scott H. Rechler

/s/ Michael Maturo

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Scott H. Rechler, Co-Chief Executive  
Officer and President

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Michael Maturo, Executive Vice President,  
Treasurer and Chief Financial Officer

DATE: May 11, 2001