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RECKSON ASSOCIATES REALTY CORP
Form 10-K
March 21, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2000

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 1-13762

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

MARYLAND 11-3233650
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

225 BROADHOLLOW ROAD,
MELVILLE, NY 11747
(Address of principal executive offices) (Zip Code)

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

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

Title of each class	Name of Each Exchange on Which Registered
Class A common stock, \$.01 par value	New York Stock Exchange
Class B common stock, \$.01 par value	New York Stock Exchange

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained

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to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. []

The aggregate market value of the shares of Class A common stock and Class B common stock held by non-affiliates was approximately \$1,197.1 million based on the closing prices on the New York Stock Exchange for such shares on March 20, 2001.

The Company has two class' of common stock, issued at \$.01 par value per share with 45,812,864 and 10,283,513 shares of Class A common stock and Class B common stock outstanding, respectively as of March 23, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Shareholder's Meeting to be held May 24, 2001 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Reckson Associates Realty Corp. was incorporated in September 1994 and

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commenced operations effective with the completion of its initial public offering on June 2, 1995. Reckson Associates Realty Corp., together with Reckson Operating Partnership, L.P. (the "Operating Partnership"), and their affiliates (collectively, the "Company") were formed for the purpose of continuing the commercial real estate business of Reckson Associates, its affiliated partnerships and other entities ("Reckson"). For more than 40 years, Reckson has been engaged in the business of owning, developing, acquiring, constructing, managing and leasing office and industrial properties in the New York tri-state area (the "Tri-State Area"). Based on industry surveys, management believes that the Company is one of the largest owners and operators of Class A suburban and commercial business district ("CBD") office properties and industrial properties in the Tri-State Area. The Company operates as a fully-integrated, self-administered and self-managed real estate investment trust ("REIT"). As of December 31, 2000, the Company owned 188 properties (the "Properties") (including 10 joint venture properties) in the Tri-State Area encompassing approximately 21.3 million rentable square feet, all of which are managed by the Company. The Properties consist of 65 Class A office properties (the "Suburban Office Properties") encompassing approximately 9.1 million rentable square feet, 17 Class A CBD Office Properties) encompassing approximately 5.3 million rentable square feet (together, the "Office Properties"), 104 industrial properties (the "Industrial Properties") encompassing approximately 6.8 million rentable square feet and two 10,000 square foot retail properties. The Company also owns a 357,000 square foot office building located in Orlando, Florida. In addition, as of December 31, 2000, the Company had approximately \$6.4 million invested in certain mortgage indebtedness encumbering approximately 101 acres of land, approximately \$17 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 partner's preferred unit interest in the Operating Partnership (the "Note Receivable Investments"). As of December 31, 2000, the Company is in the process of developing a 315,000 square foot office building and also owned approximately 290 acres of land in 13 separate parcels on which the Company can develop approximately 1.4 million square feet of office space and approximately 224,000 square feet of industrial space.

During 1999 and 2000, the Company made investments in REIT-qualified joint ventures with Reckson Strategic Venture Partners, LLC ("RSVP"), a venture capital fund created as a research and development vehicle for the Company to invest in alternative real estate sectors (see Corporate Strategies and Growth Opportunities). RSVP is managed by an affiliate of FrontLine Capital Group ("FrontLine"). The Company has committed up to \$100 million for investments in the form of either (i) RSVP-controlled (REIT-qualified) joint ventures or (ii) loans to FrontLine for FrontLine's investment in RSVP. As of December 31, 2000, the Company has invested approximately \$41.1 million in RSVP -- controlled (REIT-qualified) joint ventures. In March 2001, the Company increased the RSVP Commitment to \$110 million and advanced approximately \$24 million under the RSVP Commitment to fund additional RSVP-controlled (REIT-qualified) joint ventures.

The Office Properties are Class A office buildings and are well-located, well-maintained and professionally managed. In addition, these properties are modern with high finishes or have been modernized to successfully compete with newer buildings and achieve among the highest rent, occupancy and tenant retention rates within their markets. The majority of the Suburban Office Properties are located in ten planned office parks. The Office Properties are tenanted by a diverse industry group of national firms which include consumer products, telecommunication, health care, insurance, financial services and professional service firms such as accounting firms and securities brokerage houses. The Industrial Properties are utilized for distribution, warehousing, research and development and light manufacturing / assembly activities and are located primarily in three planned industrial parks developed by Reckson.

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All of the Company's interests in the Properties, the Note Receivable Investments and land are held directly or indirectly by, and all of its operations are conducted through, the Operating Partnership. Reckson Associates Realty Corp. controls the Operating Partnership as the sole general partner and as of December 31, 2000, owned approximately 88% of the Operating Partnership's outstanding common units of limited partnership ("OP Units") and Class B common units of limited partnership interest.

The Company seeks to maintain cash reserves for normal repairs, replacements, improvements, working capital and other contingencies. The Company has established an unsecured credit facility (the "Credit Facility") with a maximum borrowing amount of \$575 million scheduled to mature on September 7, 2003. The Credit Facility requires the Company to comply with a number of financial and other covenants on an ongoing basis.

There are numerous commercial properties that compete with the Company in attracting tenants and numerous companies that compete in selecting land for development and properties for acquisition.

In order to protect the Company's ability to qualify as a REIT, ownership of its common stock by any single stockholder is limited to 9%, subject to certain exceptions.

The Company's principal executive offices are located at 225 Broadhollow Road, Melville, New York 11747 and its telephone number at that location is (631) 694-6900. At December 31, 2000, the Company had approximately 317 employees.

RECENT DEVELOPMENTS

Acquisition Activity.

Set forth below is a brief description of the Company's major acquisition activity during 2000.

On January 13, 2000, the Company acquired 1350 Avenue of the Americas, a 540,000 square foot, 35 story, CBD Office Property, located in New York City, for a purchase price of approximately \$126.5 million. This acquisition was financed through a \$70 million secured debt financing and a draw under the Credit Facility.

On August 15, 2000, the Company acquired 538 Broadhollow Road, a 180,000 square foot Suburban Office Property located in Melville, New York for a purchase price of approximately \$25.6 million. This acquisition was financed, in part, through a borrowing under the Credit Facility.

In addition, as of December 31, 2000, the Company has invested approximately \$6.4 million in certain mortgage indebtedness encumbering approximately 101 acres of land. The Company has also loaned approximately \$17 million to its minority partner in Omni, its 575,000 square foot flagship Long Island Suburban Office Property, and effectively increased its economic interest in the property owning partnership.

On August 9, 1999, the Company executed a contract for the sale, which took place in three stages, of its interest in Reckson Morris Operating Partnership, L. P. ("RMI"), which consisted of 28 properties, comprising approximately 6.1 million square feet and three other big box industrial properties to Keystone Property Trust ("KTR"). In addition, the Company also entered into a sale agreement with the Matrix Development Group ("Matrix")

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relating to a first mortgage note and certain industrial land holdings (the "Matrix Sale"). The combined total sales price of \$310 million (\$52 million of which is attributable to the Morris Companies and its affiliates in the form of \$41.6 million of preferred units of KTR's operating partnership and \$10.4 million of debt relief) consisted of (i) approximately \$159.7 million in cash, (ii) \$41.5 million in convertible preferred and common stock of KTR, (iii) \$61.6 million in preferred units of KTR's operating partnership, (iv) approximately \$37.1 million of debt relief and (v) approximately \$10.1 million in purchase money mortgage notes secured by certain land that is being sold to Matrix.

As of December 31, 2000, the Matrix Sale and the sale of the Company's interest in RMI was completed. As a result, the Company realized a gain of approximately \$16.7 million. Such gain has been included in gain on dispositions of real estate on the Company's consolidated statements of income. Cash proceeds from the sales were used primarily to repay borrowings under the Company's Credit Facility.

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In addition, the Company redeemed approximately \$20 million of the preferred stock of KTR and received principal repayments of approximately \$7.2 million related to the purchase money mortgage notes, all of which was used primarily for general operating expenditures.

Leasing Activity

During the year ended December 31, 2000, the Company leased approximately 800,000 square feet at the CBD Office Properties at an average effective rent (i.e., base rent adjusted on a straight-line basis for free rent periods, tenant improvements and leasing commissions) of \$32.80 per square foot, approximately 1.9 million square feet at the Suburban Office Properties at an average effective rent of \$22.90 per square foot and approximately 1.3 million square feet at the Industrial Properties at an average effective rent of \$7.29 per square foot. Included in this leasing data is 753,701 square feet at the Long Island Suburban Office Properties at an average effective rent of \$24.07; 590,022 square feet at the Westchester Suburban Office Properties at an average effective rent of \$23.01; 319,174 square feet at the Westchester CBD Office Properties at an average effective rent of \$23.77; 149,301 square feet at the Connecticut CBD Office Properties at an average effective rent of \$26.25; 548,878 square feet at the New Jersey Suburban Office Properties at an average effective rent of \$21.19 and 331,442 square feet at the New York City CBD Office Properties at an average effective rent of \$44.44. Also included in this leasing data is 1,222,932 square feet at the Long Island Industrial Properties at an average effective rent of \$6.88; 48,568 square feet at the Westchester Industries Properties at an average effective rent of \$17.26 and 16,150 square feet at the New Jersey Industrial Properties at an average effective rent of \$8.96.

Financing Activities

On September 7, 2000, the Company obtained its three year \$575 million unsecured revolving 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 Credit Facility replaced the Company's existing \$500 million unsecured credit facility (together with the Credit Facility, the "Credit Facility") and \$75 million term loan. As a result, certain deferred loan costs incurred in

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connection with such unsecured credit facility and term loan were written off. Such amount is reflected as an extraordinary loss in the Company's consolidated statements of income.

The Company utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working capital purposes. At December 31, 2000, the Company had availability under the Credit Facility to borrow an additional \$358.4 million (of which, \$51.3 million has been allocated for outstanding undrawn letters of credit).

Other Financing Activities

On January 13, 2000, in connection with the acquisition of 1350 Avenue of the Americas, the Company obtained a secured \$70 million first mortgage commitment which matures in August 2001 and bears interest at LIBOR plus 165 basis points

On November 2, 2000, the Company obtained a three year secured \$250 million first mortgage commitment on the property located at 919 Third Avenue, New York N. Y. Interest rates on borrowings under the commitment are based on LIBOR plus a spread ranging from 110 basis points to 140 basis points based upon the outstanding balance. At closing, \$200 million was funded under the commitment at an interest rate of LIBOR plus 120 basis points. In addition, in connection with the \$200 million initial funding, the Company purchased a LIBOR interest rate hedge that provides for a maximum LIBOR rate of 9.25%. The initial funding was used primarily to repay outstanding borrowings under the Company's Credit Facility.

Stock Offerings

On June 20, 2000, the Company issued 4,181,818 shares of Class A common stock in exchange for four million shares of Series B Convertible Cumulative Preferred Stock with a liquidation preference value of \$100 million.

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CORPORATE STRATEGIES AND GROWTH OPPORTUNITIES

The Company's primary business objectives are to maximize current return to stockholders through increases in distributable cash flow per share and to increase stockholders' long-term total return through the appreciation in value of its common stock. The Company plans to achieve these objectives by continuing Reckson's corporate strategies and capitalizing on the internal and external growth opportunities as described below.

Corporate Strategies. Management believes that throughout its 40-year operating history, Reckson has created value in its properties through a variety of market cycles by implementing the operating strategies described below. These operating strategies include the implementation of: (i) a multidisciplinary leasing approach that involves architectural design and construction personnel as well as leasing professionals, (ii) innovative property marketing programs such as the broker frequent leasing points program which was established by the Company to enhance relationships with the brokerage community and which allows brokers to accumulate points for leasing space in the Company's portfolio which can be redeemed for luxurious prizes, (iii) a comprehensive tenant service program and property amenities designed to maximize tenant satisfaction and retention, (iv) cost control management and systems that take advantage of economies of scale that arise from the Company's market position and efficiencies attributable to the state-of-the-art energy control systems at many of the Office Properties and (v) an acquisition and development strategy that is continuously adjusted in light of anticipated

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changes in market conditions and that seeks to capitalize on management's multidisciplinary expertise and market knowledge to modify, upgrade and reposition a property in its marketplace in order to maximize value.

The Company also intends to adhere to a policy of maintaining a debt ratio (defined as the total debt of the Company as a percentage of the sum of the Company's total debt and the market value of its equity) of less than 50%. As of December 31, 2000, the Company's debt ratio was approximately 40.6%. This calculation is net of minority partners' proportionate share of debt and including the Company's share of unconsolidated joint venture debt. This debt ratio is intended to provide the Company with financial flexibility to select the optimal source of capital (whether debt or equity) with which to finance external growth.

Growth Opportunities. The Company intends to achieve its primary business objectives by applying its corporate strategies to the internal and external growth opportunities described below.

Internal Growth. To the extent the Long Island, Westchester, New Jersey and Southern Connecticut suburban office and industrial markets remain strong with supply constrained markets management believes the Company is well positioned to benefit from rental revenue growth through: (i) contractual annual compounding of 3-4% Base Rent increases (defined as fixed gross rental amounts that excludes payments on account of real estate taxes, operating expense escalations and base electrical charges) on approximately 85% of existing leases at the Long Island Properties, (ii) periodic contractual increases in Base Rent on existing leases at the Westchester Properties, the New Jersey Properties and the Southern Connecticut Properties and (iii) the potential for increases to Base Rents as leases expire and space is re-leased at the higher rents that exist in the current market environment as a result of continued tightening of the office and industrial markets with limited new supply.

In connection with the Company's acquisition and merger transaction with Tower Realty Trust, Inc. (see External Growth below) the Company entered the New York City office market. The New York City office market is currently experiencing favorable supply and demand characteristics exceeding those currently in the Company's suburban markets and is also characterized by similar lack of available land supply and other barriers to entry that limit competition. The Company's New York City office buildings offer similar potential for increase in Base Rents as described in (iii) above.

External Growth. The Company seeks to acquire multi-tenant suburban and CBD Class A office and industrial properties located in the Tri-State Area. Management believes that the Tri-State Area presents opportunities to acquire or invest in properties at attractive yields. The Company believes that its (i) capital structure, in particular its Credit Facility providing for a maximum borrowing amount of up to \$575 million, (ii) ability to acquire a property for OP Units and thereby defer the seller's income tax on gain,

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(iii) operating economies of scale, (iv) relationships with financial institutions and private real estate owners, (v) fully integrated operations in its five existing divisions and (vi) its dominant position and franchise in the submarkets in which it owns Properties will enhance the Company's ability to identify and capitalize on acquisition opportunities. The Company also intends to selectively develop new Class A suburban and CBD office and industrial properties and to continue to redevelop existing Properties as these opportunities arise. For the near future, the Company will concentrate its development activities on industrial and Class A Suburban and CBD office properties within the Tri-State Area. The Company's expansion into the New York

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City office market and the opening of its New York City division provides it with additional opportunities to acquire interests in properties at attractive yields. The Company also believes that the addition of its New York City division provides additional leasing and operational facilities and enhances its overall franchise value by being the only real estate operating company in the Tri-State Area with significant presence in both Manhattan and each of the surrounding sub-markets.

During 1997, the Company formed FrontLine (formerly Reckson Service Industries, Inc.) and 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 December 31, 2000, the Company had advanced approximately \$93.4 million under the FrontLine Facility. In addition, the Operating Partnership approved the funding of investments of up to \$100 million with or in 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. As of December 31, 2000, approximately \$83.2 million had been funded through the RSVP Commitment, of which \$41.1 million represents investments in RSVP-controlled (REIT-qualified) joint ventures and \$42.1 million represents advances. In March 2001, the Company increased the RSVP Commitment to \$110 million and advanced approximately \$24 million under the RSVP Commitment to fund additional RSVP-controlled (REIT-qualified) joint ventures. In addition, as of December 31, 2000, the Company, through its Credit Facility, has allocated approximately \$3.2 million in outstanding undrawn letters of credit for the benefit of FrontLine. 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. Prior to maturity, interest is payable quarterly but only to the extent of net cash flow of FrontLine and on an interest-only basis. As of December 31, 2000, interest accrued under the FrontLine Facility and RSVP Commitment was approximately \$13.8 million.

FrontLine currently has two distinct operating units: one of which represents its interest in HQ Global Holdings, Inc., the largest provider of flexible officing solutions in the world, and the other which represents interests in technology based partner companies. RSVP invests primarily in real estate and real estate related operating companies generally outside of the Company's core office and industrial focus.

On August 27, 1998 the Company announced the formation of a joint venture with RSVP and the Dominion Group, an Oklahoma-based, privately-owned group of companies that focuses on the development, acquisition and ownership of government occupied office buildings and correctional facilities. The new venture, Dominion Properties LLC (the "Dominion Venture"), is owned by Dominion Venture Group LLC, and by a subsidiary of the Company. The Dominion Venture is primarily engaged in acquiring, developing and/or owning government-occupied office buildings and privately operated correctional facilities. Under the Dominion Venture's operating agreement, RSVP may invest up to \$100 million, some of which may be invested by the Company (the "RSVP Capital"). The initial contribution of RSVP Capital was approximately \$39 million of which approximately \$10.1 million was invested by a subsidiary of the Company. The Company's investment was funded through the RSVP Commitment. In addition, the Company advanced approximately \$3.3 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested on a joint venture basis with the Dominion Group in certain service business activities related to the real estate activities. As of December 31, 2000, the Company had invested, through the RSVP Commitment, approximately \$20.6 million in the Dominion

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Venture which had investments in 13 government office buildings and three correctional facilities.

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As of December 31, 2000, the Company has invested approximately \$11.1 million, through a subsidiary, in RAP Student Housing Properties, LLC ("RAP -- SHP"), a company that engages primarily in the acquisition and development of off-campus student housing projects. The Company's investment was funded through the RSVP Commitment. In addition, the Company has advanced approximately \$3.5 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested in certain service business activities related to student housing. As of December 31, 2000, RAP -- SHP had investments in seven off -- campus student housing projects. Additionally, during 2000, RAP-SHP entered into an off -- campus development joint venture with Titan Investments II, a third party national developer. The purpose of the venture is to develop or reposition off -- campus student housing projects across the United States.

As of December 31, 2000, the Company has invested approximately \$3.4 million, through a subsidiary, in RAP MD, LLC ("RAP -- MD"), a company that engages primarily in the acquisition, ownership, management and development of medical office properties. The Company's investment was funded through the RSVP Commitment. As of December 31, 2000, RAP -- MD had investments in eight medical office properties.

On September 28, 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association ("TIAA") and contributed eight 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. As a result, the Company realized a gain of approximately \$15.2 million. Such gain has been included in gain on dispositions of real estate on the Company's consolidated statements of income. Cash proceeds received were used primarily to repay borrowings under the Credit Facility.

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 CBD Office Properties located in New York City totaling 1.6 million square feet and one Suburban 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.

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.

Prior to the closing of the merger, the Company arranged for the sale of four of Tower's Class B New York City properties, comprising approximately 701,000 square feet for approximately \$84.5 million. Subsequent to the closing of the merger, the Company has sold a real estate joint venture interest and

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all of the property located outside the Tri-State Area other than one office property located in Orlando, Florida for approximately \$171.1 million. The combined consideration consisted of approximately \$143.8 million in cash and approximately \$27.3 million of debt relief. Net cash proceeds from the sales were used primarily to repay borrowings under the Company's Credit Facility. As a result of incurring certain sales and closing costs in connection with the sale of the assets located outside the Tri-State Area, the Company has incurred a loss of approximately \$4.4 million which has been included in gain (loss) on dispositions of real estate on the Company's consolidated statements of income.

Subsequent to the closing of the merger, the Company acquired title to 919 Third Avenue and 1350 Avenue of the Americas located in New York City. The Company holds all of the Properties in its New York City division through Metropolitan.

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ENVIRONMENTAL MATTERS

Under various Federal, state and local laws, ordinances and regulations, an owner of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. These laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws govern the removal, encapsulation or disturbance of asbestos-containing materials ("ACMs") when such materials are in poor condition, or in the event of renovation or demolition. Such laws impose liability for release of ACMs into the air and third parties may seek recovery from owners or operators of real properties for personal injury associated with ACMs. In connection with the ownership (direct or indirect), operation, management and development of real properties, the Company may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons and property.

All of the Office Properties and all of the Industrial Properties have been subjected to a Phase I or similar environmental audit after April 1, 1994 (which involved general inspections without soil sampling, ground water analysis or radon testing and, for the Properties constructed in 1978 or earlier, survey inspections to ascertain the existence of ACMs were conducted) completed by independent environmental consultant companies (except for 35 Pinelawn Road which was originally developed by Reckson and subjected to a Phase 1 in April 1992). These environmental audits have not revealed any environmental liability that would have a material adverse effect on the Company's business.

ITEM 2. PROPERTIES

GENERAL

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As of December 31, 2000, the Company owned and operated 188 Properties (including 10 joint venture office properties but excluding the RSVP -- controlled joint ventures) in the Tri-State Area encompassing approximately 21.3 million square feet. These properties consist of 65 Class A Suburban Office Properties encompassing approximately 9.1 million square feet and 17 Class A CBD Office Properties encompassing approximately 5.3 million square feet. 104 Industrial Properties encompassing approximately 6.8 million rentable square feet and two free-standing 10,000 square foot retail properties. The Company also owns a 357,000 square foot Class A office building in Orlando, Florida. The rentable square feet of each property has been determined for these purposes based on the aggregate leased square footage specified in currently effective leases and, with respect to vacant space, management's estimate. In addition, as of December 31, 2000, the Company is in the process of developing a 315,000 square foot office building and owned approximately 290 acres of land in 13 separate parcels of on which the Company can develop approximately 1.4 million square feet of office space and approximately 224,000 square feet of industrial space.

Reckson has historically emphasized the development and acquisition of properties that are in strong CBD markets or are part of large scale office and industrial parks. Approximately 37% (measured by rentable square footage) of the Office Properties are CBD Office Properties. In addition, approximately 67% of the Suburban Office Properties and approximately 59% of the Industrial Properties are located in such parks (measured by rentable square footage). The Company believes that owning properties in planned office and industrial parks provides certain strategic advantages, including the following: (i) certain tenants prefer being located in a park with other high quality companies to enhance their corporate image, (ii) parks afford tenants certain aesthetic amenities such as a common landscaping plan,

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standardization of signage and common dining and recreational facilities, (iii) tenants may expand (or contract) their business within a park, enabling them to centralize business functions and (iv) a park provides tenants with access to other tenants and may facilitate business relationships between tenants.

Set forth below is a summary of certain information relating to the Properties, categorized by Office and Industrial Properties, as of December 31, 2000.

OFFICE PROPERTIES

General

As of December 31, 2000, the Company owned or had an interest in 65 Class A Suburban Office Properties encompassing approximately 9.1 million square feet and 17 Class A CBD Office Properties encompassing approximately 5.3 million square feet. As of December 31, 2000, these Office Properties were approximately 97.2% leased (percent leased excludes properties under development) to approximately 1,100 tenants.

The Office Properties are Class A office buildings and are well-located, well-maintained and professionally managed. In addition, these properties are modern with high finishes and achieve among the highest rent, occupancy and tenant retention rates within their sub-markets. Forty two of the 65 Suburban Office Properties are located in the following ten planned office parks: the North Shore Atrium, the Huntington Melville Corporate Center, the Nassau West Corporate Center, the Tarrytown Corporate Center, the Executive Hill Office Park, the Reckson Executive Park, the University Square Office Complex, the

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Summit at Valhalla, the Mt. Pleasant Corporate Center, and the Short Hills Office Complex. The buildings in these office parks offer a full array of amenities including health clubs, racquetball courts, sun decks, restaurants, computer controlled HVAC access systems and conference centers. Management believes that the location, quality of construction and amenities as well as the Company's reputation for providing a high level of tenant service have enabled the Company to attract and retain a national tenant base. The office tenants include national service companies, such as telecommunications firms, "Big Five" accounting firms, securities brokerage houses, insurance companies and health care providers.

The Office Properties are leased to both national and local tenants. Leases on the Office Properties are typically written for terms ranging from five to ten years and require: (i) payment of a fixed gross rental amount that excludes payments on account of real estate tax, operating expense escalations and base electrical charges ("Base Rent"), (ii) payment of a base electrical charge, (iii) payment of real estate tax escalations over a base year, (iv) payment of compounded annual increases to Base Rent and/or payment of operating expense escalations over a base year, (v) payment of overtime HVAC and electric and (vi) payment of electric escalations over a base year. In virtually all leases, the landlord is responsible for structural repairs. Renewal provisions typically provide for renewal rates at market rates or a percentage thereof, provided that such rates are not less than the most recent renewal rates.

The following table sets forth certain information as of December 31, 2000 for each of the Office Properties.

PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)		YEAR CONSTRUCTED	LAND AREA (ACRES)
Office Properties:					
Huntington Melville Corporate Center, Melville, NY					
		Leasehold			
395 North Service Rd	100%	(2,081)		1988	7.5
200 Broadhollow Rd	100%	Fee		1981	4.6
48 South Service Rd	100%	Fee		1986	7.3
35 Pinelawn Rd	100%	Fee		1980	6.0
275 Broadhollow Rd	51%	Fee		1970	5.8
58 South Service Rd (3)	100%	Fee		2000	16.5
1305 Old Walt Whitman Rd	51%	Fee		1998(5)	18.1

Total--Huntington Melville Corporate Center (4)					65.8

PROPERTY	NUMBER OF FLOORS	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASED SQ. FT.

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Office Properties:

Huntington Melville Corporate Center, Melville, NY

395 North Service Rd	4	187,393	99.3%	\$ 4,924,316	\$ 26.47
200 Broadhollow Rd	4	67,432	100.0%	\$ 1,553,502	\$ 23.04
48 South Service Rd	4	125,372	100.0%	\$ 3,145,035	\$ 25.08
35 Pinelawn Rd	2	105,241	92.5%	\$ 2,011,350	\$ 20.66
275 Broadhollow Rd	4	124,441	99.6%	\$ 2,833,490	\$ 22.85
58 South Service Rd (3)	4	277,500	--	--	--
1305 Old Walt Whitman Rd	3	167,400	98.1%	\$ 4,124,735	\$ 25.13
		-----		-----	
Total--Huntington Melville Corporate Center (4)		1,054,779	98.6%	\$18,592,428	\$ 24.28
		-----		-----	

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PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)
North Shore Atrium, Syosset, NY				
6800 Jericho Turnpike (North Shore Atrium I)	100%	Fee	1977	13.0
6900 Jericho Turnpike (North Shore Atrium II)	100%	Fee	1982	5.0

Total--North Shore Atrium				18.0

Nassau West Corporate Center, Mitchel Field, NY				
50 Charles Lindbergh Blvd. (Nassau West Corporate Center II)	100%	Leasehold (2,082)	1984	9.1
60 Charles Lindbergh Blvd. (Nassau West Corporate Center I)	100%	Leasehold (2,082)	1989	7.8
51 Charles Lindbergh Blvd.	100%	Leasehold (2,084)	1989	6.6
55 Charles Lindbergh Blvd.	100%	Leasehold (2,082)	1982	10.0
333 Earl Ovington Blvd. (The Omni)	60%	Leasehold (2,088)	1991	30.6
90 Merrick Ave.	51%	Leasehold (2,084)	1985	13.2

Total--Nassau West Corporate Center ...				77.3

Tarrytown Corporate Center Tarrytown, NY				
505 White Plains Road	100%	Fee	1974	1.4
520 White Plains Road	60%	Fee (6)	1981	6.8
555 White Plains Road	100%	Fee	1972	4.2
560 White Plains Road	100%	Fee	1980	4.0

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580 White Plains Road	100%	Fee	1977	6.1
660 White Plains Road	100%	Fee	1983	10.9

Total--Tarrytown Corporate Center				33.4

Reckson Executive Park				
Rye Brook, NY				
1 International Dr.	100%	Fee	1983	N/A
2 International Dr.	100%	Fee	1983	N/A
3 International Dr.	100%	Fee	1983	N/A
4 International Dr.	100%	Fee	1986	N/A
5 International Dr.	100%	Fee	1986	N/A
6 International Dr.	100%	Fee	1986	N/A
Total--Reckson Executive Park				44.4

Summit at Valhalla				
Valhalla, NY				
100 Summit Dr.	100%	Fee	1988	11.3
200 Summit Dr.	100%	Fee	1990	18.0
500 Summit Dr.	100%	Fee	1986	29.1

Total -- Summit at Valhalla				58.4

Mt. Pleasant Corporate Center				
115/117 Stevens Ave.	100%	Fee	1984	5.0

Total -- Mt Pleasant Corporate Center..				5.0

Landmark Square				
Stamford, CT				
One Landmark Square	100%	Fee	1973	N/A
Two Landmark Square	100%	Fee	1976	N/A
Three Landmark Square	100%	Fee	1978	N/A
Four Landmark Square	100%	Fee	1977	N/A
Five Landmark Square	100%	Fee	1976	N/A
Six Landmark Square	100%	Fee	1984	N/A
Total -- Landmark Square				7.2

Stamford Towers Stamford, CT				
680 Washington Blvd.	51%	Fee	1989	1.3

PROPERTY	NUMBER OF FLOORS	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASE SQ. FT
North Shore Atrium, Syosset, NY					
6800 Jericho Turnpike (North Shore Atrium I)	2	209,028	96.0%	\$ 4,094,898	\$ 20.4
6900 Jericho Turnpike (North Shore Atrium II)	4	95,149	100.0%	\$ 2,156,644	\$ 22.6
		-----		-----	
Total--North Shore Atrium		304,177	97.3%	\$ 6,251,542	\$ 21.1
		-----		-----	
Nassau West Corporate Center, Mitchel Field, NY					

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50 Charles Lindbergh Blvd. (Nassau West Corporate Center II)	6	211,845	96.5%	\$ 4,567,615	\$ 22.3
60 Charles Lindbergh Blvd. (Nassau West Corporate Center I)	2	195,998	100.0%	\$ 4,578,271	\$ 23.3
51 Charles Lindbergh Blvd.	1	108,000	100.0%	\$ 2,275,649	\$ 21.0
55 Charles Lindbergh Blvd.	2	214,581	100.0%	\$ 2,606,170	\$ 12.1
333 Earl Ovington Blvd. (The Omni)	10	575,000	99.3%	\$16,083,501	\$ 28.1
90 Merrick Ave.	9	221,839	97.3%	\$ 4,997,745	\$ 23.1
		-----		-----	
Total--Nassau West Corporate Center		1,527,263	98.9%	\$35,108,951	\$ 23.2
		-----		-----	
Tarrytown Corporate Center					
Tarrytown, NY					
505 White Plains Road	2	26,468	95.3%	\$ 426,143	\$ 16.9
520 White Plains Road	6	171,761	100.0%	\$ 3,727,762	\$ 21.7
555 White Plains Road	5	121,585	94.1%	\$ 2,692,386	\$ 23.5
560 White Plains Road	6	126,471	92.7%	\$ 2,220,688	\$ 18.9
580 White Plains Road	6	170,726	94.6%	\$ 3,525,079	\$ 21.8
660 White Plains Road	6	258,715	92.7%	\$ 5,090,460	\$ 21.2
		-----		-----	
Total--Tarrytown Corporate Center		875,726	94.8%	\$17,682,518	\$ 21.3
		-----		-----	
Reckson Executive Park					
Rye Brook, NY					
1 International Dr.	3	90,000	100.0%	\$ 1,170,000	\$ 13.0
2 International Dr.	3	90,000	100.0%	\$ 1,170,000	\$ 13.0
3 International Dr.	3	91,174	100.0%	\$ 2,015,775	\$ 22.1
4 International Dr.	3	86,694	89.3%	\$ 2,014,051	\$ 26.0
5 International Dr.	3	90,000	100.0%	\$ 2,181,374	\$ 24.2
6 International Dr.	3	94,016	100.0%	\$ 1,656,258	\$ 17.6
		-----		-----	
Total--Reckson Executive Park		541,884	98.3%	\$10,207,458	\$ 19.1
		-----		-----	
Summit at Valhalla					
Valhalla, NY					
100 Summit Dr.	4	249,551	95.7%	\$ 5,125,534	\$ 21.4
200 Summit Dr.	4	240,834	89.7%	\$ 4,610,306	\$ 21.3
500 Summit Dr.	4	208,660	100.0%	\$ 5,633,820	\$ 27.0
		-----		-----	
Total -- Summit at Valhalla		699,045	94.9%	\$15,369,660	\$ 23.1
		-----		-----	
Mt. Pleasant Corporate Center					
115/117 Stevens Ave.	3	162,004	95.6%	\$ 2,895,825	\$ 18.7
		-----		-----	
Total -- Mt Pleasant Corporate Center..		162,004	95.6%	\$ 2,895,825	\$ 18.7
		-----		-----	
Landmark Square					
Stamford, CT					
One Landmark Square	22	296,716	89.2%	\$ 6,311,100	\$ 23.8
Two Landmark Square	3	39,701	87.8%	\$ 717,196	\$ 20.5
Three Landmark Square	6	128,286	100.0%	\$ 1,687,016	\$ 13.1
Four Landmark Square	5	104,446	93.9%	\$ 1,723,990	\$ 17.5
Five Landmark Square	3	57,273	100.0%	\$ 302,731	\$ 5.2
Six Landmark Square	10	171,899	96.9%	\$ 3,920,672	\$ 23.5
		-----		-----	
Total -- Landmark Square		798,321	94.0%	\$14,662,705	\$ 19.5
		-----		-----	

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Stamford Towers Stamford, CT					
680 Washington Blvd.	11	132,759	99.5%	\$ 3,786,544	\$ 28.6

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PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)
750 Washington Blvd.	51%	Fee	1989	2.4
Total--Stamford Towers				3.7
Stand-alone Long Island Properties				
400 Garden City Plaza Garden City, NY	51%	Fee	1989	5.7
88 Duryea Rd. Melville, NY	100%	Fee	1986	1.5
310 East Shore Rd. Great Neck, NY	100%	Fee	1981	1.5
333 East Shore Rd. Great Neck, NY	100%	Leasehold (2,030)	1976	1.5
520 Broadhollow Rd. Melville, NY	100%	Fee	1978	7.0
1660 Walt Whitman Rd. Melville, NY	100%	Fee	1980	6.5
125 Baylis Rd. Melville, NY	100%	Fee	1980	8.2
150 Motor Parkway Hauppauge, NY	100%	Fee	1984	11.3
1979 Marcus Ave. Lake Success, NY	100%	Fee	1987	8.6
120 Mineola Blvd. Mineola, NY	100%	Fee	1989	0.7
538 Broadhollow Road Melville, NY	100%	Fee	1986	7.5
50 Marcus Drive, Melville, NY	100%	Fee	2000 (5)	12.9
Total--Stand-alone Long Island				72.9
Stand-alone Westchester Properties				
155 White Plains Road, Tarrytown, NY	100%	Fee	1963	13.2
235 Main Street, White Plains, NY	100%	Fee	1974 (5)	0.4
245 Main Street White Plains, NY	100%	Fee	1983	0.4
120 White Plains Rd. Tarrytown, NY	51%	Fee	1984	9.7
80 Grasslands Elmsford, NY	100%	Fee	1989	4.9
360 Hamilton Avenue White Plains, NY	100%	Fee	1977	1.5
140 Grand Street White Plains, NY	100%	Fee	1991	2.2

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Total Stand-alone Westchester					----
Properties					32.3

Executive Hill Office Park					
West Orange, NJ					
100 Executive Dr	100%	Fee	1978	10.1	
200 Executive Dr	100%	Fee	1980	8.2	
300 Executive Dr	100%	Fee	1984	8.7	
10 Rooney Circle	100%	Fee	1971	5.2	

Total--Executive Hill Office Park					32.2

University Square					
Princeton, NJ					
100 Campus Dr.	100%	Fee	1987	N/A	
104 Campus Dr.	100%	Fee	1987	N/A	
115 Campus Dr.	100%	Fee	1987	N/A	
Total University Square					11.0

Short Hills Office Complex					
Short Hills, NJ					
101 West John F. Kennedy					
Parkway	100%	Fee	1981	9.0	
101 East John F. Kennedy					
Parkway	100%	Fee	1981	6.0	
51 John F Kennedy Parkway	51%	Fee	1988	11.0	

PROPERTY	NUMBER OF FLOORS	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASED SQ. FT.
750 Washington Blvd.	11	192,108	99.6%	\$ 4,675,265	\$ 24.44
Total--Stamford Towers		324,867	99.6%	\$ 8,461,809	\$ 21.15

Stand-alone Long Island					
Properties					
400 Garden City Plaza					
Garden City, NY	5	176,073	96.6%	\$ 4,100,754	\$ 24.12
88 Duryea Rd.					
Melville, NY	2	25,061	96.7%	\$ 406,370	\$ 16.77
310 East Shore Rd.					
Great Neck, NY	4	50,000	91.2%	\$ 1,056,684	\$ 23.17
333 East Shore Rd.					
Great Neck, NY	2	17,715	99.6%	\$ 452,678	\$ 25.65
520 Broadhollow Rd.					
Melville, NY	1	83,176	71.1%	\$ 1,193,719	\$ 20.19
1660 Walt Whitman Rd.					
Melville, NY	1	73,115	99.9%	\$ 1,435,770	\$ 19.66
125 Baylis Rd.					
Melville, NY	2	98,329	95.3%	\$ 1,842,756	\$ 19.66
150 Motor Parkway					
Hauppauge, NY	4	191,447	96.1%	\$ 4,152,752	\$ 22.56

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1979 Marcus Ave. Lake Success, NY	4	326,612	100.0%	\$ 7,159,400	\$ 21.92
120 Mineola Blvd. Mineola, NY	6	101,000	100.0%	\$ 2,398,421	\$ 23.75
538 Broadhollow Road Melville, NY	4	180,339	95.7%	\$ 4,121,324	\$ 23.89
50 Marcus Drive, Melville, NY	2	163,762	100.0%	\$ 1,074,688	\$ 6.56
		-----		-----	
Total--Stand-alone Long Island		1,486,629	96.6%	\$29,395,316	\$ 22.26
		-----		-----	
Stand-alone Westchester Properties					
155 White Plains Road, Tarrytown, NY	2	60,909	99.6%	\$ 1,168,551	\$ 19.27
235 Main Street, White Plains, NY	6	83,237	93.8%	\$ 1,513,711	\$ 19.38
245 Main Street White Plains, NY	6	73,543	93.3%	\$ 1,216,955	\$ 17.75
120 White Plains Rd. Tarrytown, NY	6	197,785	99.6%	\$ 4,730,530	\$ 24.03
80 Grasslands Elmsford, NY	3	85,104	100.0%	\$ 1,695,536	\$ 19.92
360 Hamilton Avenue White Plains, NY	12	382,000	96.5%	\$ 7,465,521	\$ 20.26
140 Grand Street White Plains, NY	9	130,136	93.0%	\$ 2,663,153	\$ 22.00
		-----		-----	
Total Stand-alone Westchester Properties		1,012,714	96.7%	\$20,453,957	\$ 20.89
		-----		-----	
Executive Hill Office Park West Orange, NJ					
100 Executive Dr	3	92,872	100.0%	\$ 1,917,717	\$ 20.65
200 Executive Dr	4	102,630	99.9%	\$ 2,204,345	\$ 20.94
300 Executive Dr	4	126,196	100.0%	\$ 2,213,881	\$ 17.54
10 Rooney Circle	3	69,684	100.0%	\$ 1,406,904	\$ 20.19
		-----		-----	
Total--Executive Hill Office Park		391,382	100.0%	\$ 7,742,847	\$ 19.78
		-----		-----	
University Square Princeton, NJ					
100 Campus Dr.	1	27,350	100.0%	\$ 622,621	\$ 22.76
104 Campus Dr.	1	70,155	100.0%	\$ 1,515,517	\$ 21.60
115 Campus Dr.	1	33,600	100.0%	\$ 721,107	\$ 21.46
		-----		-----	
Total University Square		131,105	100.0%	\$ 2,859,245	\$ 21.81
		-----		-----	
Short Hills Office Complex Short Hills, NJ					
101 West John F. Kennedy Parkway	6	185,233	100.0%	\$ 2,963,728	\$ 16.00
101 East John F. Kennedy Parkway	4	122,841	100.0%	\$ 655,152	\$ 5.33
51 John F Kennedy Parkway	5	248,962	100.0%	\$ 8,790,239	\$ 33.79
		-----		-----	

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PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)	NUMBER OF FLOORS
Total -- Short Hills Office				26.0	
Stand-alone New Jersey Properties					
1 Paragon Drive					
Montvale, NJ	100%	Fee	1980	11	2
99 Cherry Hill Road					
Parsippany, NJ	100%	Fee	1982	8.8	3
119 Cherry Hill Road					
Parsippany, NJ	100%	Fee	1982	9.3	3
One Eagle Rock					
Hanover, NJ	100%	Fee	1986	10.4	3
155 Passaic Ave.					
Fairfield, NJ	100%	Fee	1984	3.6	4
3 University Plaza					
Hackensack, NJ	100%	Fee	1985	10.6	6
1255 Broad Street					
Clifton, NJ	100%	Fee	1968	11.1	2
492 River Rd,					
Nutley, NJ	100%	Fee	1952	17.3	13
Total Stand-alone New Jersey Properties				82.1	
New York City Properties					
120 W. 45th Street New York, NY					
100 Wall Street					
New York, NY	100%	Fee	1989	0.4	40
810 Seventh Avenue					
New York, NY	100%	Fee	1969	0.5	29
919 Third Avenue					
New York, NY	100%	Fee	1970	0.6	42
1350 Avenue of the Americas					
New York, NY	100%	Fee (7)	1971	1.5	47
Total -- New York City Office Properties				3.6	
Total--Office Properties (4)				573.3	

PROPERTY	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASED SQ. FT.	NUMBER OF TENANTS LEAS
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Total -- Short Hills Office	557,036	100.0%	\$ 12,409,119	\$ 22.28	
	-----		-----		
Stand-alone New Jersey Properties					
1 Paragon Drive					
Montvale, NJ	104,599	81.6%	\$ 1,763,074	\$ 20.67	
99 Cherry Hill Road					
Parsippany, NJ	93,250	99.0%	\$ 1,746,078	\$ 18.92	
119 Cherry Hill Road					
Parsippany, NJ	95,724	99.9%	\$ 1,908,205	\$ 19.96	
One Eagle Rock					
Hanover, NJ	140,000	100.0%	\$ 3,223,210	\$ 23.02	
155 Passaic Ave.					
Fairfield, NJ	87,986	100.0%	\$ 1,348,254	\$ 15.32	
3 University Plaza					
Hackensack, NJ	216,403	93.2%	\$ 4,041,680	\$ 20.04	
1255 Broad Street					
Clifton, NJ	193,574	100.0%	\$ 4,259,924	\$ 22.01	
492 River Rd,					
Nutley, NJ	130,009	100.0%	\$ 1,358,105	\$ 10.45	
	-----		-----		
Total Stand-alone New Jersey Properties	1,061,545	96.9%	\$ 19,648,530	\$ 19.10	
	-----		-----		
New York City Properties					
120 W. 45th Street New York, NY	443,109	100.0%	\$ 15,908,898	\$ 35.90	
100 Wall Street					
New York, NY	458,626	99.3%	\$ 14,063,841	\$ 30.89	
810 Seventh Avenue					
New York, NY	692,060	95.1%	\$ 23,323,658	\$ 35.44	
919 Third Avenue					
New York, NY	1,374,966	99.1%	\$ 32,217,043	\$ 23.95	
1350 Avenue of the Americas					
New York, NY	540,000	92.8%	\$ 15,848,017	\$ 31.62	
	-----		-----		
Total -- New York City Office Properties	3,508,761	97.0%	\$101,361,457	\$ 29.45	2
	-----		-----		
Total--Office Properties (4)	14,437,238	97.2%	\$323,103,367	\$ 23.48	1,1
	=====		=====		=====

(1) Ground lease expirations assume exercise of renewal options by the lessee.

(2) Represents Base Rent of signed leases at December 31, 2000 adjusted for scheduled contractual increases during the 12 months ending December 31, 2001. Total Base Rent for these purposes reflects the effect of any lease expirations that occur during the 12-month period ending December 31, 2001. Amounts included in rental revenue for financial reporting purposes have been determined on a straight-line basis rather than on the basis of contractual rent as set forth in the foregoing table.

(3) Property is currently under development.

(4) Percent leases excludes properties under development.

(5) Year renovated.

(6) The actual fee interest in is held by the County of Westchester Industrial Development Agency. The fee interest in 520 White Plains Road may be acquired if the outstanding principal under certain loan agreements and

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annual basic installments are prepaid in full.

(7) There is a ground lease in place on a small portion of the land which expires in 2066.

INDUSTRIAL PROPERTIES

General

As of December 31, 2000, the Company owned or had an interest in 104 Industrial Properties that encompass approximately 6.8 million rentable square feet. As of December 31, 2000, the Industrial Properties were approximately 97.5% leased (percentage leased excludes properties under development) to approximately 230 tenants. Many of the Industrial Properties have been constructed with high ceiling heights (i.e., above 18 feet), upscale office building facades, parking in excess of zoning requirements, drive-in and/or loading dock facilities and other features which permit them to be leased for industrial and/or office purposes.

The Industrial Properties are leased to both national and local tenants. These tenants utilize the Industrial Properties for distribution, warehousing, research and development and light manufacturing/assembly activities. Leases on the Industrial Properties are typically written for terms

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ranging from three to seven years and require: (i) payment of a Base Rent, (ii) payments of real estate tax escalations over a base year, (iii) payments of compounded annual increases to Base Rent and (iv) reimbursement of all operating expenses. Electric costs are borne and paid directly by the tenant. Certain leases are "triple net" (i.e., the tenant is required to pay in addition to annual Base Rent, all operating expenses and real estate taxes). In virtually all leases, the landlord is responsible for structural repairs. Renewal provisions typically provide for renewal rents at market rates, provided that such rates are not less than the most recent rental rates.

Approximately 86% of the Industrial Properties, measured by square footage, are located on Long Island. Sixty eight percent of these properties, as measured by square footage, are located in the following three Industrial Parks developed by Reckson: (i) Vanderbilt Industrial Park, (ii) Airport International Plaza and (iii) County Line Industrial Center.

In addition to the Industrial Properties on Long Island, the Company owns nine Industrial Properties in the other suburban markets. These properties encompass approximately 940,000 square feet and were approximately 93% leased as of December 31, 2000.

The following table sets forth certain information as of December 31, 2000 for each of the Industrial Properties.

PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE)			LAND AREA (ACRES)	CLEARANCE HEIGHT (FEET)
		LEASE EXPIRATION DATE	YEAR CONSTRUCTED			

Industrial Properties:

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Vanderbilt Industrial Park						
Hauppauge, NY						
360 Vanderbilt Motor						
Parkway	100%	Fee	1967	4.2	16	
410 Vanderbilt Motor						
Parkway	100%	Fee	1965	3.0	15	
595 Old Willets Path	100%	Fee	1968	3.5	14	
611 Old Willets Path	100%	Fee	1963	3.0	14	
631/641 Old Willets Path.	100%	Fee	1965	1.9	14	
651/661 Old Willets Path..	100%	Fee	1966	2.0	14	
681 Old Willets Path	100%	Fee	1961	1.3	14	
740 Old Willets Path	100%	Fee	1965	3.5	14	
325 Rabro Dr	100%	Fee	1967	2.7	14	
250 Kennedy Dr	100%	Fee	1979	7.0	16	
90 Plant Ave	100%	Fee	1972	4.3	16	
110 Plant Ave	100%	Fee	1974	6.8	18	
55 Engineers Rd	100%	Fee	1968	3.0	18	
65 Engineers Rd	100%	Fee	1969	1.8	22	
85 Engineers Rd	100%	Fee	1968	2.3	18	
100 Engineers Rd	100%	Fee	1968	5.0	14	
150 Engineers Rd	100%	Fee	1969	6.8	22	
20 Oser Ave	100%	Fee	1979	5.0	16	
30 Oser Ave	100%	Fee	1978	4.4	16	
40 Oser Ave	100%	Fee	1974	3.1	16	
50 Oser Ave	100%	Fee	1975	4.1	21	
60 Oser Ave	100%	Fee	1975	3.3	21	
63 Oser Ave	100%	Fee	1974	1.2	20	
65 Oser Ave	100%	Fee	1975	1.2	18	
73 Oser Ave	100%	Fee	1974	1.2	20	
80 Oser Ave	100%	Fee	1974	1.1	18	
85 Nikon Ct	100%	Fee	1978	6.1	30	
90 Oser Ave	100%	Fee	1973	1.1	16	
104 Parkway Dr.	100%	Fee	1985	1.8	15	
110 Ricefield Ln	100%	Fee	1980	2.0	15	
120 Ricefield Ln	100%	Fee	1983	2.0	15	
125 Ricefield Ln	100%	Fee	1973	2.0	14	
135 Ricefield Ln	100%	Fee	1981	2.1	15	
85 Adams Dr	100%	Fee	1980	1.8	15	
395 Oser Ave	100%	Fee	1980	6.1	14	

PROPERTY	PERCENTAGE OFFICE/ RESEARCH AND DEVELOP- MENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASED SQ. FT.	NUMBER OF TENANT LEASES
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Industrial Properties:

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Vanderbilt Industrial Park
Hauppauge, NY

360 Vanderbilt Motor Parkway	62%	54,000	100.0%	\$543,780	\$ 10.07	1
410 Vanderbilt Motor Parkway	7%	41,784	90.4%	\$ 98,302	\$ 2.60	3
595 Old Willets Path	14%	31,670	100.0%	\$192,605	\$ 6.08	4
611 Old Willets Path	11%	20,000	100.0%	\$127,550	\$ 6.38	2
631/641 Old Willets Path.	31%	25,000	100.0%	\$ 95,560	\$ 3.82	4
651/661 Old Willets Path..	45%	25,000	100.0%	\$184,479	\$ 7.38	7
681 Old Willets Path	10%	15,000	100.0%	\$102,414	\$ 6.83	1
740 Old Willets Path	5%	30,000	100.0%	\$ 29,670	\$ 0.99	1
325 Rabro Dr	10%	35,000	100.0%	\$204,560	\$ 5.84	2
250 Kennedy Dr	9%	127,980	100.0%	\$455,298	\$ 3.56	1
90 Plant Ave	13%	75,000	100.0%	\$452,744	\$ 6.04	3
110 Plant Ave	8%	125,000	100.0%	\$156,250	\$ 1.25	1
55 Engineers Rd	8%	36,000	100.0%	\$351,878	\$ 9.77	1
65 Engineers Rd	10%	23,000	100.0%	\$131,198	\$ 5.70	1
85 Engineers Rd	5%	40,800	100.0%	\$221,601	\$ 5.43	2
100 Engineers Rd	11%	88,000	100.0%	\$ 79,271	\$ 0.90	1
150 Engineers Rd	11%	135,000	100.0%	\$414,528	\$ 3.07	1
20 Oser Ave	18%	42,000	98.7%	\$326,963	\$ 7.89	2
30 Oser Ave	21%	42,000	82.1%	\$212,926	\$ 6.17	4
40 Oser Ave	33%	59,800	80.3%	\$335,405	\$ 6.99	11
50 Oser Ave	15%	60,000	100.0%	\$240,000	\$ 4.00	1
60 Oser Ave	19%	48,000	100.0%	\$192,000	\$ 4.00	1
63 Oser Ave	9%	22,000	100.0%	\$ 68,961	\$ 3.13	1
65 Oser Ave	10%	20,000	100.0%	\$ 99,670	\$ 4.98	1
73 Oser Ave	15%	20,000	100.0%	\$ 21,271	\$ 1.06	1
80 Oser Ave	25%	19,500	100.0%	\$ 67,516	\$ 3.46	1
85 Nikon Ct	10%	104,000	100.0%	\$544,515	\$ 5.24	1
90 Oser Ave	26%	37,500	100.0%	\$130,779	\$ 3.49	1
104 Parkway Dr.	50%	27,600	100.0%	\$208,033	\$ 7.54	1
110 Ricefield Ln	25%	32,264	100.0%	\$166,220	\$ 5.15	1
120 Ricefield Ln	24%	33,060	100.0%	\$134,055	\$ 4.05	1
125 Ricefield Ln	20%	30,495	100.0%	\$206,643	\$ 6.78	1
135 Ricefield Ln	10%	32,340	100.0%	\$209,761	\$ 6.49	1
85 Adams Dr	90%	20,000	100.0%	\$278,817	\$ 13.94	1
395 Oser Ave	100%	50,000	99.0%	\$441,045	\$ 8.91	1

I-12

PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE		YEAR CONSTRUCTED	LAND AREA (ACRES)	CLEARANCE HEIGHT (FEET)
185 Oser Ave	100%	Fee	1974		2.0	18
25 Davids Dr	100%	Fee	1975		3.2	20
45 Adams Ave	100%	Fee	1979		2.1	18
225 Oser Ave	100%	Fee	1977		1.2	14
180 Oser Ave	100%	Fee	1978		3.4	16
360 Oser Ave	100%	Fee	1981		1.3	18
400 Oser Ave	100%	Fee	1982		9.5	16
375 Oser Ave	100%	Fee	1981		1.2	18
425 Rabro Drive	100%	Fee	1980		4.0	16

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390 Motor Parkway	100%	Fee	1980	10.0	14
400 Moreland Road(3)	100%	Fee	1967	6.3	17
600 Old Willets Path	100%	Fee	1965	4.5	14

Total Vanderbilt					
Industrial Park (4)				160.4	

Airport International Plaza					
Islip, NY					
20 Orville Dr	100%	Fee	1978	1.0	16
25 Orville Dr	100%	Fee	1970	2.2	16
50 Orville Dr	100%	Fee	1976	1.6	15
65 Orville Dr	100%	Fee	1971	2.2	14
70 Orville Dr	100%	Fee	1975	2.3	22
80 Orville Dr	100%	Fee	1988	6.5	16
85 Orville Dr	100%	Fee	1974	1.9	14
95 Orville Dr	100%	Fee	1974	1.8	14
110 Orville Dr	100%	Fee	1979	6.4	24
180 Orville Dr	100%	Fee	1982	2.3	16
1101 Lakeland Ave	100%	Fee	1983	4.9	20
1385 Lakeland Ave	100%	Fee	1973	2.4	16
125 Wilbur Place	100%	Fee	1977	4.0	16
140 Wilbur Place	100%	Fee	1973	3.1	20
160 Wilbur Place	100%	Fee	1978	3.9	16
170 Wilbur Place	100%	Fee	1979	4.9	16
4040 Veterans Highway	100%	Fee	1972	1.0	14
120 Wilbur Place	100%	Fee	1972	2.8	16
2002 Orville Drive					
North	100%	Fee	2000	15.8	24
2004 Orville Drive					
North	100%	Fee	1998	7.4	24
2005 Orville Drive					
North	100%	Fee	1999	8.7	24

Total Airport					
International Plaza				87.1	

County Line Industrial Center					
Melville, NY					
5 Hub Dr	100%	Fee	1979	6.9	20
10 Hub Dr	100%	Fee	1975	6.6	20
30 Hub Drive	100%	Fee	1976	5.1	20
265 Spagnoli Rd	100%	Fee	1978	6.0	20

Total County Line					
Industrial Center				24.6	

Standalone Long Island					
Properties					
32 Windsor Pl. Islip, NY	100%	Fee	1971	2.5	18
42 Windsor Pl. Islip, NY	100%	Fee	1972	2.4	18
208 Blydenburgh Rd.					
Islandia, NY	100%	Fee	1969	2.4	14
210 Blydenburgh Rd.					
Islandia, NY	100%	Fee	1969	1.2	14
71 Hoffman Ln.					
Islandia, NY	100%	Fee	1970	5.8	16
135 Fell Ct. Islip, NY	100%	Fee	1965	3.2	16

Subtotal Islip/Islandia				17.5	

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PROPERTY	PERCENTAGE OFFICE/ RESEARCH AND DEVELOP- MENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASED SQ. FT.	NUMB OF TENAN LEASE
185 Oser Ave	40%	30,000	--	--	--	--
25 Davids Dr	90%	40,000	100.0%	\$ 334,516	\$ 8.36	--
45 Adams Ave	90%	28,000	100.0%	\$ 226,333	\$ 8.08	--
225 Oser Ave	80%	10,000	99.6%	\$ 116,175	\$ 11.67	--
180 Oser Ave	35%	61,868	89.9%	\$ 424,419	\$ 7.63	--
360 Oser Ave	35%	23,000	100.0%	\$ 96,600	\$ 4.20	--
400 Oser Ave	30%	164,936	89.3%	\$ 1,256,877	\$ 8.53	2
375 Oser Ave	40%	20,000	100.0%	\$ 154,388	\$ 7.72	--
425 Rabro Drive	25%	65,641	99.7%	\$ 469,536	\$ 7.18	--
390 Motor Parkway	4%	181,155	100.0%	\$ 813,435	\$ 4.49	--
400 Moreland Road(3)	10%	56,875	--	--	--	--
600 Old Willets Path	25%	69,627	100.0%	\$ 405,061	\$ 5.82	--
Total Vanderbilt Industrial Park (4)		2,379,895	96.8%	\$12,023,608	\$ 5.35	10
Airport International Plaza Islip, NY						
20 Orville Dr	50%	12,852	100.0%	\$ 181,720	\$ 14.09	--
25 Orville Dr	100%	32,300	100.0%	\$ 490,561	\$ 15.19	--
50 Orville Dr	20%	28,000	99.8%	\$ 254,320	\$ 9.10	--
65 Orville Dr	13%	32,000	100.0%	\$ 171,588	\$ 5.36	--
70 Orville Dr	7%	41,508	100.0%	\$ 315,731	\$ 7.61	--
80 Orville Dr	21%	92,544	100.0%	\$ 668,272	\$ 7.22	--
85 Orville Dr	20%	25,000	100.0%	\$ 160,569	\$ 6.42	--
95 Orville Dr	10%	25,000	100.0%	\$ 147,583	\$ 5.90	--
110 Orville Dr	15%	110,000	100.0%	\$ 646,433	\$ 5.88	--
180 Orville Dr	18%	37,612	100.0%	\$ 191,971	\$ 5.10	--
1101 Lakeland Ave	8%	90,411	100.0%	\$ 531,315	\$ 5.88	--
1385 Lakeland Ave	18%	35,000	64.3%	\$ 162,344	\$ 7.22	--
125 Wilbur Place	31%	62,686	77.1%	\$ 248,547	\$ 5.14	--
140 Wilbur Place	37%	48,500	100.0%	\$ 210,494	\$ 4.34	--
160 Wilbur Place	30%	62,710	100.0%	\$ 481,790	\$ 7.68	--
170 Wilbur Place	28%	72,062	100.0%	\$ 407,680	\$ 5.65	--
4040 Veterans Highway	100%	2,800	100.0%	\$ 45,051	\$ 16.09	--
120 Wilbur Place	15%	35,000	100.0%	\$ 196,470	\$ 5.61	--
2002 Orville Drive North	17%	206,000	100.0%	\$ 1,569,100	\$ 7.62	--
2004 Orville Drive North	20%	106,515	100.0%	\$ 732,042	\$ 6.87	--
2005 Orville Drive North	20%	130,010	100.0%	\$ 945,977	\$ 7.28	--
Total Airport International Plaza		1,288,510	98.1%	\$ 8,759,558	6.93	5
County Line Industrial Center Melville, NY						

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5 Hub Dr	20%	88,001	100.0%	\$ 536,268	\$ 6.09
10 Hub Dr	15%	95,546	100.0%	\$ 698,888	\$ 7.94
30 Hub Drive	18%	73,127	100.0%	\$ 483,286	\$ 6.61
265 Spagnoli Rd	28%	85,500	100.0%	\$ 673,610	\$ 7.87

Total County Line					
Industrial Center		342,174	100.0%	\$ 2,392,052	\$ 6.99

Standalone Long Island Properties					
32 Windsor Pl. Islip, NY	10%	43,000	100.0%	\$ 144,127	\$ 3.35
42 Windsor Pl. Islip, NY	8%	65,000	100.0%	\$ 234,744	\$ 3.61
208 Blydenburgh Rd.					
Islandia, NY	17%	24,000	100.0%	\$ 125,681	\$ 5.24
210 Blydenburgh Rd.					
Islandia, NY	16%	20,000	100.0%	\$ 115,127	\$ 5.76
71 Hoffman Ln.					
Islandia, NY	10%	30,400	100.0%	\$ 193,701	\$ 6.37
135 Fell Ct. Islip, NY	20%	30,000	100.0%	\$ 240,992	\$ 8.03

Subtotal Islip/Islandia		212,400	100.0%	\$ 1,054,371	\$ 4.96

I-13

PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE)	YEAR CONSTRUCTED	LAND AREA (ACRES)	CLEARANCE HEIGHT (FEET)

70 Schmitt Boulevard, Farmingdale, NY	100%	Fee	1975	4.4	18
105 Price Parkway, Farmingdale, NY	100%	Fee	1969	12.0	26
110 Bi County Blvd. Farmingdale, NY	100%	Fee	1984	9.5	19
Subtotal Farmingdale				25.9	

70 Maxess Rd, Melville, NY	100%	Fee	1969	9.3	15
20 Melville Park Rd, Melville, NY	100%	Fee	1965	4.0	23
45 Melville Park Drive, Melville, NY	100%	Fee	1998	4.2	24
65 Marcus Drive Melville, NY	100%	Fee	1968	5.0	16
Subtotal Melville				22.5	

300 Motor Parkway, Hauppauge, NY	100%	Fee	1979	4.2	14
1516 Motor Parkway, Hauppauge, NY	100%	Fee	1981	7.9	24
Subtotal Hauppauge				12.1	

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933 Motor Parkway Smithtown, NY	100%	Fee	1973	5.6	20	
65 S. Service Rd , Plainview, NY(5)	100%	Fee	1961	1.6	14	
85 S. Service Rd. Plainview, NY	100%	Fee	1961	1.6	14	
19 Nicholas Dr., Yaphank, NY (6)	100%	Fee	1989	29.6	24	
48 Harbor Park Dr., Port Washington, NY	100%	Fee	1976	2.7	16	
110 Marcus Dr., Huntington, NY	100%	Fee	1980	6.1	20	
35 Engle St., Hicksville, NY	100%	Leasehold(7)	1966	4.0	24	
100 Andrews Rd., Hicksville, NY	100%	Fee	1954	11.7	25	

Subtotal other				62.9		

Total Standalone Long Island Properties				140.9		

Standalone Westchester Properties						
100 Grasslands Rd., Elmsford, NY	100%	Fee	1964	3.6	16	
2 Macy Rd., Harrison, NY	100%	Fee	1962	5.7	16	
500 Saw Mill Rd., Elmsford, NY	100%	Fee	1968	7.3	22	

Total Standalone Westchester Industrial Properties				16.6		

Standalone New Jersey Industrial Properties						
40 Cragwood Rd, South Plainfield, NJ	100%	Fee	1965	13.5	16	
100 Forge Way, Rockaway, NJ	100%	Fee	1986	3.5	24	
200 Forge Way, Rockaway, NJ	100%	Fee	1989	12.7	28	
300 Forge Way, Rockaway, NJ	100%	Fee	1989	4.2	24	
400 Forge Way, Rockaway, NJ	100%	Fee	1989	12.8	28	

Total New Jersey Standalone Industrial Properties				46.7		

PROPERTY	PERCENTAGE OFFICE/ RESEARCH AND DEVELOP- MENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASED SQ. FT.	NUMBER OF TENANTS LEASES
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70 Schmitt Boulevard, Farmingdale, NY	10%	76,312	100.0%	\$ 559,673	\$ 7.33	1
105 Price Parkway, Farmingdale, NY	8.50%	297,000	100.0%	\$ 1,430,170	\$ 4.82	1
110 Bi County Blvd. Farmingdale, NY	45%	147,303	96.3%	\$ 1,250,320	\$ 8.82	10
Subtotal Farmingdale		520,615	98.9%	\$ 3,240,163	\$ 6.29	12
70 Maxess Rd, Melville, NY	38%	78,000	100.0%	\$ 692,862	\$ 8.88	1
20 Melville Park Rd, Melville, NY	66%	67,922	100.0%	\$ 393,337	\$ 5.79	1
45 Melville Park Drive, Melville, NY	22%	40,247	100.0%	\$ 562,060	\$ 13.97	1
65 Marcus Drive Melville, NY	50%	60,000	100.0%	\$ 623,162	\$ 10.39	1
Subtotal Melville		246,169	100.0%	\$ 2,271,421	\$ 9.23	4
300 Motor Parkway, Hauppauge, NY	100%	55,942	96.8%	\$ 907,004	\$ 16.75	9
1516 Motor Parkway, Hauppauge, NY	5%	140,000	100.0%	\$ 503,883	\$ 3.60	1
Subtotal Hauppauge		195,942	99.1%	\$ 1,410,887	\$ 7.27	10
933 Motor Parkway Smithtown, NY	26%	48,000	100.0%	\$ 315,600	\$ 6.58	2
65 S. Service Rd , Plainview, NY(5)	10%	10,000	100.0%	\$ 72,008	\$ 7.20	1
85 S. Service Rd. Plainview, NY	60%	20,000	100.0%	\$ 82,155	\$ 4.11	2
19 Nicholas Dr., Yaphank, NY (6)	5%	230,000	100.0%	\$ 1,315,250	\$ 5.72	1
48 Harbor Park Dr., Port Washington, NY	100%	35,000	100.0%	\$ 735,646	\$ 21.02	1
110 Marcus Dr., Huntington, NY	39%	78,240	100.0%	\$ 506,119	\$ 6.47	1
35 Engle St., Hicksville, NY	8%	120,000	100.0%	\$ 607,559	\$ 5.06	1
100 Andrews Rd., Hicksville, NY	12%	167,500	100.0%	\$ 1,146,499	\$ 6.84	2
Subtotal other		708,740	100.0%	\$ 4,780,836	\$ 6.75	11
Total Standalone Long Island Properties		1,883,866	99.6%	\$12,757,678	\$ 6.98	47
Standalone Westchester Properties						
100 Grasslands Rd., Elmsford, NY	100%	45,000	87.8%	\$ 579,637	\$ 14.67	3
2 Macy Rd., Harrison, NY	100%	26,000	100.0%	\$ 394,460	\$ 15.16	1
500 Saw Mill Rd., Elmsford, NY	17%	92,000	100.0%	\$ 846,400	\$ 9.20	1
Total Standalone Westchester Industrial						

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Properties		163,000	96.7%	\$ 1,820,497	\$ 11.55	5

Standalone New Jersey Industrial Properties						
40 Cragwood Rd, South Plainfield, NJ	49%	135,000	57.5%	\$ 1,188,697	\$ 15.31	3
100 Forge Way, Rockaway, NJ	12%	20,136	100.0%	\$ 175,842	\$ 8.73	5
200 Forge Way, Rockaway, NJ	23%	72,118	100.0%	\$ 459,752	\$ 6.38	2
300 Forge Way, Rockaway, NJ	37%	24,000	100.0%	\$ 230,050	\$ 9.51	2
400 Forge Way, Rockaway, NJ	20%	73,000	100.0%	\$ 254,120	\$ 3.48	2

Total New Jersey Standalone Industrial Properties		324,254	82.4%	\$ 2,308,461	\$ 8.64	14

I-14

PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE)	YEAR CONSTRUCTED	LAND AREA (ACRES)	CLEARANCE HEIGHT (FEET)	

Standalone Connecticut Industrial Property						
710 Bridgeport Shelton, CT	100%	Fee	1971-1979	36.1	22	

Total Connecticut Standalone Industrial Property				36.1		

Total Industrial Properties (4)				512.4		
				=====		
PROPERTY	PERCENTAGE OFFICE/ RESEARCH AND DEVELOPMENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASED SQ. FT.	NUMBER OF TENANTS LEASES

Standalone Connecticut Industrial Property						
710 Bridgeport Shelton, CT	30%	452,414	100.0%	\$ 2,876,568	\$ 6.36	2

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Total Connecticut					
Standalone Industrial					
Property	452,414	100.0%	\$ 2,876,568	\$ 6.36	2
	-----		-----		-----
Total Industrial					
Properties (4)	6,834,113	97.5%	\$ 42,938,423	\$ 6.50	241
	=====		=====		=====

(1) Calculated as the difference from the lowest beam to floor.

(2) Represents Base Rent of signed leases at December 31, 2000 adjusted for scheduled contractual increases during the 12 months ending December 31, 2001. Total Base Rent for these purposes reflects the effect of any lease expirations that occur during the 12 month period ending December 31, 2001. Amounts included in rental revenue for financial reporting purposes have been determined on a straight-line basis rather than on the basis of contractual rent as set forth in the foregoing table.

(3) Property under redevelopment.

(4) Percent leased excludes properties under redevelopment.

(5) A tenant has been granted an option exercisable after April 30, 1997 and prior to October 31, 2002 to purchase this property for \$600,000.

(6) The actual fee interest is currently held by the Town of Brookhaven Industrial Development Agency. The Company may acquire such fee interest by making a nominal payment to the Town of Brookhaven Industrial Development Agency.

(7) The Company has entered into a 20 year lease agreement in which it has the right to sublease the premises.

RETAIL PROPERTIES

As of December 31, 2000, the Company owned two free-standing 10,000 square foot retail properties located in Great Neck and Huntington, New York of which one property is fully leased and one property is vacant.

DEVELOPMENTS IN PROGRESS

As of December 31, 2000, the Company had invested approximately \$154.7 million in developments in progress. This amount includes approximately \$89.0 million relating to existing buildings encompassing approximately 1.3 million square feet. The Company estimates that if these projects were to be completed, total additional development costs would be approximately \$28 million. In addition, the Company has also invested approximately \$ 65.7 million relating to approximately 13 acres of land which it can develop approximately 1.6 million square feet. The Company estimates that if these projects were to be completed, total additional development costs would be approximately \$250 million.

THE OPTION PROPERTIES

In connection with the IPO, the Company was granted a ten year option to acquire ten properties (the "Option Properties") which were not contributed to the Operating Partnership and are either owned by Reckson or in which Reckson owns a non controlling minority interest.

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As of December 31, 2000, the Company has acquired four of the Option Properties for an aggregate purchase price of approximately \$35 million and the issuance of approximately 475,000 OP Units. In addition, during 1998, one of the Option Properties was sold by Reckson to a third party.

The remaining Option Properties consist of three Class A office properties encompassing approximately 311,000 square feet and two industrial properties encompassing approximately 69,000 square feet.

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HISTORICAL NON-INCREMENTAL REVENUE-GENERATING CAPITAL EXPENDITURES, TENANT IMPROVEMENT COSTS AND LEASING COMMISSIONS

The following table sets forth annual and per square foot recurring, non-incremental revenue-generating capital expenditures and non-incremental revenue-generating tenant improvement costs and leasing commissions incurred by the Company to retain revenues attributable to existing leased space for the period 1996 through 2000 for the Office Properties and the Industrial Properties. As noted, incremental revenue-generating tenant improvement costs and leasing commissions are excluded from the table set forth immediately below. The historical capital expenditures, tenant improvement costs and leasing commissions set forth below are not necessarily indicative of future recurring, non-incremental revenue-generating capital expenditures or non-incremental revenue-generating tenant improvement costs and leasing commissions.

	1996	1997	1998	1999	2000
NON-INCREMENTAL REVENUE GENERATING CAPITAL EXPENDITURES					
Office Properties					
Total	\$ 375,026	\$ 1,108,675	\$ 2,004,976	\$ 2,290,000	\$ 2,290,000
Per square foot	\$ 0.13	\$ 0.22	\$ 0.23	\$ 0.23	\$ 0.23
CBD Office Properties					
Total	N/A	N/A	N/A	N/A	N/A
Per square foot	N/A	N/A	N/A	N/A	N/A
Industrial Properties					
Total	\$ 670,751	\$ 733,233	\$ 1,205,266	\$ 1,040,000	\$ 1,040,000
Per square foot	\$ 0.18	\$ 0.15	\$ 0.12	\$ 0.12	\$ 0.12
NON-INCREMENTAL REVENUE GENERATING TENANT IMPROVEMENT COSTS AND LEASING COMMISSIONS					
Long Island Office Properties					
Annual Tenant Improvement Costs	\$ 523,574	\$ 784,044	\$ 1,140,251	\$ 1,000,000	\$ 1,000,000
Per square foot improved	4.28	7.00	3.98	3.98	3.98
Annual Leasing Commissions	119,047	415,822	418,191	550,000	550,000
Per square foot leased	0.97	4.83	1.46	1.46	1.46
Total per square foot	\$ 5.25	\$ 11.83	\$ 5.44	\$ 5.44	\$ 5.44
Westchester Office Properties					
Annual Tenant Improvement Costs	\$ 834,764	\$ 1,211,665	\$ 711,160	\$ 1,310,000	\$ 1,310,000
Per square foot improved	6.33	8.90	4.45	4.45	4.45
Annual Leasing Commissions	264,388	366,257	286,150	450,000	450,000
Per square foot leased	2.00	2.69	1.79	1.79	1.79
Total per square foot	\$ 8.33	\$ 11.59	\$ 6.24	\$ 6.24	\$ 6.24
Connecticut Office Properties					
Annual Tenant Improvement Costs	\$ 58,000	\$ 1,022,421	\$ 202,880	\$ 170,000	\$ 170,000

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Per square foot improved	12.45	13.39	5.92	
Annual Leasing Commissions	0	256,615	151,063	11
Per square foot leased	0	3.36	4.41	
Total per square foot	\$ 12.45	\$ 16.75	\$ 10.33	\$
New Jersey Office Properties				
Annual Tenant Improvement Costs	N/A	N/A	\$ 654,877	\$ 45
Per square foot improved	N/A	N/A	3.78	
Annual Leasing Commissions	N/A	N/A	396,127	78
Per square foot leased	N/A	N/A	2.08	
Total per square foot	N/A	N/A	\$ 5.86	\$
New York Office Properties				
Annual Tenant Improvement Costs	N/A	N/A	N/A	N/
Per square foot improved	N/A	N/A	N/A	N/
Annual Leasing Commissions	N/A	N/A	N/A	N/
Per square foot leased	N/A	N/A	N/A	N/
Total per square foot	N/A	N/A	N/A	N/

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	1996	1997	1998	
	-----	-----	-----	-----
Industrial Properties				
Annual Tenant Improvement Costs	\$ 380,334	\$ 230,466	\$ 283,842	\$
Per square foot improved	0.72	0.55	0.76	
Annual Leasing Commissions	436,213	81,013	200,154	
Per square foot leased	0.82	0.19	0.44	
Total per square foot	\$ 1.54	\$ 0.74	\$ 1.20	\$

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MORTGAGE INDEBTEDNESS

The following table sets forth certain information regarding the mortgage debt of the Company, as of December 31, 2000.

PROPERTY	PRINCIPAL AMOUNT OUTSTANDING	INTEREST RATE	MATURITY DATE
-----	-----	-----	-----
	(IN THOUSANDS)		
6800 Jericho Turnpike	\$ 14,324	8.07%	7/1/10
6900 Jericho Turnpike	7,560	8.07%	7/1/10
200 Broadhollow Road	6,494	7.75%	6/02/02
395 North Service Road	20,525	6.45%	10/26/05
50 Charles Lindbergh Blvd.	15,479	7.50%	7/10/01
333 Earl Ovington Blvd (The Omni) (1)	55,641	7.72%	8/14/07
310 East Shore Road	2,322	8.00%	7/01/02
80 Orville Drive	2,616	10.10%	2/01/04
580 White Plains Road	13,057	7.86%	9/1/10
Landmark Square	46,974	8.02%	10/07/06
110 Bi-County Blvd.	4,043	9.125%	11/30/12
100 Summit Lake Drive	21,541	8.50%	4/01/07
200 Summit Lake Drive	20,133	9.25%	1/01/06

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120 West 45th Street	66,103	6.82% (4)	11/01/27
810 7th Avenue	85,600	7.73%	8/1/09
100 Wall Street	37,094	7.73%	8/1/09
One Orlando Center	39,465	6.82% (4)	11/01/27
1350 Avenue of the Americas	70,000	LIBOR + 1.65%	8/1/01
919 3rd Avenue	200,000	LIBOR + 1.20%	10/31/03

Total	\$ 728,971		
	=====		

- (1) The Company has a 60% general partnership interest in the Omni and its proportionate share of the aggregate principal amount of the mortgage debt is approximately \$33.4 million.
- (2) Principal payments of \$34,000 per month.
- (3) Interest only
- (4) Subject to interest rate adjustment on November 1, 2004.

ITEM 3. LEGAL PROCEEDINGS

The Company is not presently subject to any material litigation nor, to the Company's knowledge, is any litigation threatened against the Company, other than routine actions for negligence or other claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material adverse effect on the liquidity, results of operations or business or financial condition of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of stockholders during the fourth quarter of the year ended December 31, 2000.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

CLASS A COMMON STOCK

The Company's Class A common stock began trading on the New York Stock Exchange ("NYSE") on May 25, 1995, under the symbol "RA". The following table sets forth the quarterly high and low closing sale prices per share of the Company's Class A common stock as reported on the NYSE and the distributions paid by the Company for each respective quarter ended.

	HIGH	LOW	DISTRIBUTION
	-----	-----	-----
March 31, 1999	\$ 24.000	\$ 20.375	\$.33750
June 30, 1999	\$ 26.563	\$ 20.438	\$.37125 (1)
September 30, 1999	\$ 23.500	\$ 19.375	\$.37125
December 31, 1999	\$ 20.813	\$ 18.000	\$.37125

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March 31, 2000	\$ 21.313	\$ 17.688	\$.37125	
June 30, 2000	\$ 24.063	\$ 18.750	\$.3860	(2)
September 30, 2000	\$ 26.813	\$ 23.625	\$.3860	
December 31, 2000	\$ 26.000	\$ 21.875	\$.3860	

(1) Commencing with the distribution for the quarter ending June 30, 1999, the Board of Directors of the Company increased the quarterly distribution to \$.37125 per share, which is equivalent to an annual distribution of \$1.485 per share.

(2) Commencing with the distribution for the quarter ending June 30, 2000, the Board of Directors of the Company increased the quarterly distribution to \$.3860 per share, which is equivalent to an annual distribution of \$1.544 per share.

CLASS B COMMON STOCK

The Company's Class B common stock began trading on the NYSE on May 25, 1999 under the symbol "RA.B". The following table sets forth the quarterly high and low closing sale prices per share of the Company's Class B common stock as reported on the NYSE and the distributions paid by the Company for each respective quarter ended.

	HIGH	LOW	DISTRIBUTION	
	-----	-----	-----	
March 31, 1999	N/A	N/A	N/A	
June 30, 1999	\$ 27.688	\$ 23.875	\$.2364	(1)
September 30, 1999	\$ 24.688	\$ 20.500	\$.5600	
December 31, 1999	\$ 22.750	\$ 19.438	\$.5600	
March 31, 2000	\$ 22.875	\$ 18.875	\$.5600	
June 30, 2000	\$ 25.438	\$ 19.938	\$.5867	(2)
September 30, 2000	\$ 27.563	\$ 24.625	\$.6000	
December 31, 2000	\$ 27.563	\$ 22.500	\$.6000	

(1) Represents the period May 25, 1999 through June 30, 1999

(2) Commencing with the distribution for the three month period ended July 31, 2000, the Board of Directors of the Company increased the quarterly distribution to \$.60 per share, which is equivalent to an annual distribution of \$2.40 per share.

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ITEM 6. SELECTED FINANCIAL DATA (in thousands except per share data and property count)

RECKSON ASSOCIATES REALTY
CORP.
FOR THE YEAR ENDED DECEMBER
31,

2000 1999

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OPERATING DATA:		
Total revenues	\$ 509,938	\$ 403,153
Total expenses	373,711	299,111
Income (before preferred dividends and distributions, minority interests and extraordinary loss)	136,227	104,042
Preferred dividends and distributions	28,012	27,001
Minority interests	20,789	16,209
Extraordinary loss (net of minority interests' share)	1,396	555
Net income available to Class A common shareholders	62,989	47,529
Net income available to Class B common shareholders	23,041	12,748
PER SHARE DATA - CLASS A COMMON		
SHAREHOLDERS:		
Basic:		
Income before extraordinary loss	\$ 1.49	\$ 1.19
Extraordinary loss	(.03)	(.01)
Net income	1.46	1.18
Weighted average shares outstanding	43,070	40,270
Diluted:		
Income before extraordinary loss	\$ 1.47	\$ 1.18
Extraordinary loss	(.02)	(.01)
Diluted net income	1.45	1.17
Diluted weighted average shares outstanding	43,545	40,676
PER SHARE DATA - CLASS B COMMON		
SHAREHOLDERS:		
Basic:		
Income before extraordinary loss	\$ 2.28	\$ 1.91
Extraordinary loss	(.04)	(.02)
Net Income	2.24	1.89
Weighted average shares outstanding	10,284	6,744
Diluted:		
Income before extraordinary loss	\$ 1.62	\$ 1.27
Extraordinary loss	(.03)	(.01)
Diluted net income	1.59	1.26
Diluted weighted average shares outstanding	10,284	6,744
BALANCE SHEET DATA (PERIOD END):		
Commercial real estate properties, before accumulated depreciation	\$ 2,770,607	\$ 2,208,399
Total assets	2,998,030	2,733,878
Mortgage notes payable	728,971	459,174
Unsecured credit facility	216,600	297,600
Unsecured term loan	--	75,000
Senior unsecured notes	449,385	449,313
Market value of equity (1)	2,016,390	1,726,845
Total market capitalization including debt (1 and 2)	3,397,204	2,993,756
OTHER DATA:		
Funds from operations (basic) (3)	\$ 167,782	\$ 130,820
Funds from operations (diluted) (3)	\$ 202,169	\$ 161,681
Total square feet (at end of period)	21,291	21,385
Number of properties (at end of period)	188	189

RECKSON ASSOCIATES REALTY
FOR THE YEAR ENDED DECEMBER

1998

1997

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OPERATING DATA:		
Total revenues	\$ 266,373	\$ 153,395
Total expenses	201,892	107,905
Income (before preferred dividends and distributions, minority interests and extraordinary loss)	64,481	45,490
Preferred dividends and distributions	14,244	--
Minority interests	10,672	8,624
Extraordinary loss (net of minority interests' share)	1,670	2,230
Net income available to Class A common shareholders	37,895	34,636
Net income available to Class B common shareholders	--	--
PER SHARE DATA - CLASS A COMMON		
SHAREHOLDERS:		
Basic:		
Income before extraordinary loss	\$ 1.00	\$ 1.13
Extraordinary loss	(.04)	(.07)
Net income	0.96	1.06
Weighted average shares outstanding	39,473	32,727
Diluted:		
Income before extraordinary loss	\$.99	\$ 1.11
Extraordinary loss	(.04)	(.07)
Diluted net income95	1.04
Diluted weighted average shares outstanding	40,010	33,260
PER SHARE DATA - CLASS B COMMON		
SHAREHOLDERS:		
Basic:		
Income before extraordinary loss	\$ --	\$ --
Extraordinary loss	--	--
Net Income	--	--
Weighted average shares outstanding	--	--
Diluted:		
Income before extraordinary loss	\$ --	\$ --
Extraordinary loss	--	--
Diluted net income	--	--
Diluted weighted average shares outstanding	--	--
BALANCE SHEET DATA (PERIOD END):		
Commercial real estate properties, before accumulated depreciation	\$ 1,737,133	\$ 1,011,228
Total assets	1,854,816	1,113,257
Mortgage notes payable	253,463	180,023
Unsecured credit facility	465,850	210,250
Unsecured term loan	20,000	--
Senior unsecured notes	150,000	150,000
Market value of equity (1)	1,332,882	1,141,592
Total market capitalization including debt (1 and 2)	2,199,936	1,668,800
OTHER DATA:		
Funds from operations (basic) (3)	\$ 97,697	\$ 69,548
Funds from operations (diluted) (3)	\$ 99,450	\$ 69,548
Total square feet (at end of period)	21,000	13,645
Number of properties (at end of period)	204	155

(1) Based on the sum of:

(i) the market value of the Company's Class A common stock and operating partnership units (assuming conversion) of 53,046,928, 48,076,648, 47,800,049, 44,988,846 and 31,119,364 at December 31, 2000, 1999, 1998, 1997 and 1996, respectively (based on a per share/unit price of \$25.06, \$20.50, \$22.19, \$25.38 and \$21.13 at December 31, 2000, 1999, 1998, 1997 and 1996, respectively),

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- (ii) the market value of the Company's Class B common stock of 10,283,513 and 10,283,763 shares at December 31, 2000 and 1999, respectively (based on a per share price of \$27.19 and \$22.75 at December 31, 2000 and 1999, respectively),
- (iii) the liquidation preference value of 11,192,000 and 15,192,000 shares of the Company's preferred stock at December 31, 2000 and 1999, respectively (based on a per share value of \$25.00),
- (iv) the liquidation preference value of 42,518 of the operating partnership's preferred units at December 31, 2000 and 1999 (based on a per unit value of \$1,000) and
- (v) the contributed value of Metropolitan's preferred interest of \$85 million.

(2) Debt amount is net of minority partners' proportionate share plus the Company's share of unconsolidated joint venture debt.

(3) See "Management's Discussion and Analysis" for a discussion of funds from operations.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the historical financial statements of Reckson Associates Realty Corp. (the "Company") and related notes.

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, 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 Reckson Group, the predecessor to the Company, was engaged in the ownership, management, operation, leasing and development of commercial real estate properties, principally office and industrial buildings, and also owned certain undeveloped land located primarily on Long Island, New York. In June 1995, the Company completed an Initial Public Offering (the "IPO"),

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succeeded to the Reckson Group's real estate business and commenced operations.

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 its interests in its real properties, directly or indirectly, through Reckson Operating Partnership, L.P. (the "Operating Partnership"). As of December 31, 2000, 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 approximately 20,000 square feet, located in the Tri-State Area. In addition, the Company is in the process of developing one office property encompassing approximately 315,000 square feet. 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 \$6.4 million in mortgage notes encumbering approximately 101 acres of land, approximately \$17.1 million in a note receivable secured by a partnership interest in Omni Partner's, 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 partner's preferred interest in the Operating Partnership.

On August 9, 1999, the Company executed a contract for the sale, which took place in three stages, of its interest in Reckson Morris Operating Partnership, L. P. ("RMI"), which consisted of 28 properties, comprising approximately 6.1 million square feet and three other big box industrial properties to

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Keystone Property Trust ("KTR"). In addition, the Company also entered into a sale agreement with the Matrix Development Group ("Matrix") relating to a first mortgage note and certain industrial land holdings (the "Matrix Sale"). The combined total sales price of \$310 million (\$52 million of which is attributable to the Morris Companies and its affiliates in the form of \$41.6 million of preferred units of KTR's operating partnership and \$10.4 million of debt relief) consisted of (i) approximately \$159.7 million in cash, (ii) \$41.5 million in convertible preferred and common stock of KTR, (iii) \$61.6 million in preferred units of KTR's operating partnership, (iv) approximately \$37.1 million of debt relief and (v) approximately \$10.1 million in purchase money mortgage notes secured by certain land that is being sold to Matrix.

As of December 31, 2000, the Matrix Sale and the sale of the Company's interest in RMI was completed. As a result, the Company realized a gain of approximately \$16.7 million. Such gain has been included in gain on dispositions of real estate on the Company's consolidated statements of income. Cash proceeds from the sales were used primarily to repay borrowings under the Company's unsecured credit facility. In addition, as of December 31, 2000, the Company redeemed approximately \$20 million of the preferred stock of KTR and received principal repayments of approximately \$7.2 million related to the purchase money mortgage notes, all of which was used primarily for general operating expenditures.

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.

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.

Prior to the closing of the merger, the Company arranged for the sale of four of Tower's Class B New York City properties, comprising approximately 701,000 square feet for approximately \$84.5 million. Subsequent to the closing of the merger, the Company has sold a real estate joint venture interest and all of the property located outside the Tri-State Area other than one office property located in Orlando, Florida for approximately \$171.1 million. The combined consideration consisted of approximately \$143.8 million in cash and approximately \$27.3 million of debt relief. Net cash proceeds from the sales were used primarily to repay borrowings under the Company's unsecured credit facility. As a result of incurring certain sales and closing costs in connection with the sale of the assets located outside the Tri-State Area, the Company has incurred a loss of approximately \$4.4 million which has been included in gain (loss) on dispositions of real estate on the Company's consolidated statements of income.

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 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. As a result, the Company realized a gain of approximately \$15.2 million. Such gain has been included in gain on dispositions of real estate on the Company's consolidated statements of income. Cash proceeds received were used primarily to repay borrowings under the Company's unsecured credit facility.

The Company has announced that it has withdrawn its offer to purchase a tract of land located in Suffolk County, New York from the State of New York. As a result, as of December 31, 2000, the Company incurred a one-time non-recurring charge of \$3.2 million in connection with the discontinuation

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of this development project. Such amount has been included in gain (loss) on dispositions of real estate on the Company's consolidated statements of income. Further, this write off will not impact the Company's computation of Funds from Operations.

During 1997, the Company formed FrontLine Capital Group ("FrontLine") (formerly Reckson Service Industries, Inc.) 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

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investment activities, operations and other general corporate purposes. As of December 31, 2000, the Company had advanced approximately \$93.4 million under the FrontLine Facility. In addition, the Operating Partnership approved the funding of investments of up to \$100 million with or in 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. As of December 31, 2000, approximately \$83.2 million had been funded through the RSVP Commitment, of which \$41.1 million represents investments in RSVP-controlled (REIT-qualified) joint ventures and \$42.1 million represents advances. In March 2001, the Company increased the RSVP Commitment to \$110 million and advanced approximately \$24 million under the RSVP Commitment to fund additional RSVP-controlled (REIT-qualified) joint ventures. In addition, as of December 31, 2000, the Company, through its unsecured credit facility, has allocated approximately \$3.2 million in outstanding undrawn letters of credit for the benefit of FrontLine. 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. Prior to maturity, interest is payable quarterly but only to the extent of net cash flow of FrontLine and on an interest-only basis. As of December 31, 2000, interest accrued under the FrontLine Facility and RSVP Commitment was approximately \$13.8 million.

During November 1999, the Board of Directors of the Company approved an amendment to the FrontLine Facility and the RSVP Commitment to permit FrontLine to incur secured debt and to pay interest thereon and to issue preferred stock and to pay dividends thereon. In consideration of the amendments, FrontLine paid the Operating Partnership a fee of approximately \$3.6 million in the form of shares of FrontLine common stock. Such fee has been recognized in income over an estimated nine month benefit period.

FrontLine currently has two distinct operating units: one of which represents its interest in HQ Global Holdings, Inc., the largest provider of flexible officing solutions in the world, and the other which represents interests in technology based partner companies. RSVP invests primarily in real estate and real estate related operating companies generally outside of the Company's core office and industrial focus.

The Operating Partnership and FrontLine have entered into an intercompany agreement (the "Reckson Intercompany Agreement") to formalize their relationship and to limit conflict of interest. Under the Reckson Intercompany Agreement, Frontline granted the Operating Partnership a right of first opportunity to make any REIT - qualified investment that becomes available to FrontLine. In addition, if a REIT -- qualified investment opportunity becomes available to an affiliate of FrontLine, including RSVP, the Reckson Intercompany Agreement requires such affiliate to allow the Operating Partnership to participate in such opportunity to the extent of FrontLine's interest.

Under the Reckson Intercompany Agreement, the Operating Partnership granted FrontLine a right of first opportunity to provide commercial services to the Operating Partnership and its tenants. FrontLine will provide services to the Operating Partnership at rates and on terms as attractive as either the best available for comparable services in the market or those offered by FrontLine to third parties. In addition, the Operating Partnership will give FrontLine access to its tenants with respect to commercial services that may be provided to such tenants and, under the Reckson Intercompany Agreement, subject to certain conditions, the Operating Partnership granted FrontLine a right of first refusal to become the lessee of any real property acquired by the Operating Partnership if the Operating Partnership determines that, consistent

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with the Company's status as a REIT, it is required to enter into a "master" lease agreement.

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On August 27, 1998 the Company announced the formation of a joint venture with RSVP and the Dominion Group, an Oklahoma-based, privately-owned group of companies that focuses on the development, acquisition and ownership of government occupied office buildings and correctional facilities. The new venture, Dominion Properties LLC (the "Dominion Venture"), is owned by Dominion Venture Group LLC, and by a subsidiary of the Company. The Dominion Venture is primarily engaged in acquiring, developing and/or owning government-occupied office buildings and privately operated correctional facilities. Under the Dominion Venture's operating agreement, RSVP may invest up to \$100 million, some of which may be invested by the Company (the "RSVP Capital"). The initial contribution of RSVP Capital was approximately \$39 million of which approximately \$10.1 million was invested by a subsidiary of the Company. The Company's investment was funded through the RSVP Commitment. In addition, the Company advanced approximately \$3.3 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested on a joint venture basis with the Dominion Group in certain service business activities related to the real estate activities. As of December 31, 2000, the Company had invested, through the RSVP Commitment, approximately \$20.6 million in the Dominion Venture which had investments in 13 government office buildings and three correctional facilities.

As of December 31, 2000, the Company has invested approximately \$11.1 million, through a subsidiary, in RAP Student Housing Properties, LLC ("RAP -- SHP"), a company that engages primarily in the acquisition and development of off-campus student housing projects. The Company's investment was funded through the RSVP Commitment. In addition, the Company has advanced approximately \$3.5 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested in certain service business activities related to student housing. As of December 31, 2000, RAP -- SHP had investments in seven off -- campus student housing projects. Additionally, during 2000, RAP-SHP entered into an off -- campus development joint venture with Titan Investments II, a third party national developer. The purpose of the venture is to develop or reposition off - campus student housing projects across the United States.

As of December 31, 2000, the Company has invested approximately \$3.4 million, through a subsidiary, in RAP MD, LLC ("RAP -- MD"), a company that engages primarily in the acquisition, ownership, management and development of medical office properties. The Company's investment was funded through the RSVP Commitment. As of December 31, 2000, RAP -- MD had investments in eight medical office properties.

The market capitalization of the Company at December 31, 2000 was approximately \$3.4 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 Units") (assuming conversion) of \$25.06 per share/unit (based on the closing price of the Company's Class A common stock on December 31, 2000), (ii) the market value of the Company's Class B common stock of \$27.19 per share (based on the closing price of the Company's Class B common stock on December 31, 2000), (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) approximately \$1.4 billion (including its share of joint venture debt and net of minority partners' interests) of debt outstanding at December 31, 2000. As a

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result, the Company's total debt to total market capitalization ratio at December 31, 2000 equaled approximately 40.6%.

RESULTS OF OPERATIONS

The Company's total revenues increased by \$106.8 million or 26.5% from 1999 to 2000 and \$136.8 million or 51.4% from 1998 to 1999. Property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues") increased by \$82.9 million or 22.5% from 1999 to 2000 and \$116.7 million or 46.2% from 1998 to 1999. The 2000 increase in Property Operating Revenues is substantially attributable to the assets from the Tower Portfolio acquisition on May 24, 1999. This accounts for approximately \$31.9 million, or 38.5%, of the increase in Property Operating Revenues. Additionally, approximately \$21.0 million of Property Operating Revenues was generated from two

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properties acquired in 2000. Property Operating Revenues were also positively impacted by approximately \$15.3 million from increases in occupancies and rental rates in our "same store" properties, approximately \$9.6 million from newly developed properties added to the operating portfolio and approximately \$2.3 million from 919 Third Avenue, which property operating results were included in Property Operating Revenues. These increases offset the impact of approximately \$14.8 million of Property Operating Revenues that were generated in 1999 from properties that were sold in the 1999 "Big Box" industrial transaction. The remaining balance of the increase in total revenues for 2000 is primarily attributable to an increase in gain on dispositions of real estate of approximately \$11.8 million and an increase of approximately \$8.1 million in other income related to interest earned on advances made to FrontLine through the FrontLine Facility and to RSVP through the RSVP Commitment.

The 1999 increase in Property Operating Revenues is substantially attributable to the Tower Portfolio acquisition on May 24, 1999. The revenue generated from these assets generated approximately \$47.5 million of revenue in 1999. Additionally, approximately \$29.1 million of revenue was generated from the Company's June 15, 1999 acquisition of the first mortgage note secured by 919 Third Avenue which property operating results were included in Property Operating Revenues. Property Operating Revenues were also positively effected by approximately \$9.9 million from increases in occupancies and rental rates in our "same store" properties and approximately \$27.2 million in additional revenue generated from properties acquired during 1998 and new development activity. The remaining balance of the increase in total revenues in 1999 is primarily attributable to the gain on dispositions of real estate of \$10.1 million and an increase of approximately \$8.7 million in other income related to interest earned on advances made to FrontLine through the FrontLine Facility and to RSVP through the RSVP Commitment.

The Company's base rent reflects the positive impact of the straight-line rent adjustment of \$38.8 million in 2000, \$10.7 million in 1999 and \$7.7 million in 1998. The 2000 straight-line rent adjustment includes \$23.3 million at 919 3rd Avenue which is attributable to rental abatement periods for the three largest tenants.

Property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by \$31.5 million or 25.0% from 1999 to 2000 and by \$41.7 million or 49.5% from 1998 to 1999. These increases are primarily due to the acquisition of the properties included in the Tower Portfolio acquisition on May 24, 1999 and the June 15, 1999 acquisition of the first mortgage note secured by 919 Third Avenue which property operating results were included in Property Expenses. Gross operating margins (defined as Property Operating

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Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for 2000, 1999, and 1998 were 65.2%, 65.9% and 66.6%, respectively. The slight decrease in the gross operating margin percentages resulted from a larger proportionate share of gross operating margin derived from office properties, which has a lower gross margin percentage. The higher proportionate share of the gross operating margin attributable to the office properties was a result of the two office properties acquired in 2000, the office properties acquired in the Tower Portfolio acquisition and the disposition of net leased industrial properties in the "Big Box" industrial transaction. This shift in the composition of the portfolio was offset by increases in rental rates and operating efficiencies realized as a result of operating a larger portfolio of properties with concentration of properties in office and industrial parks or in its established sub-markets.

Marketing, general and administrative expenses were \$27.4 million in 2000, \$24.3 million in 1999 and \$16.9 million in 1998. The increase in marketing, general and administrative expenses is due to the increased costs of opening and maintaining the Company's New York City division and the increase in corporate management and administrative costs associated with the growth of the Company. The Company's business strategy has been to expand further into the Tri-State Area suburban markets and the New York City market by applying its standards for high quality office and industrial space and premier tenant service to its New Jersey, Westchester, Southern Connecticut and New York City divisions. In doing this, the Company seeks to create a superior franchise value that it enjoys in its home base of Long Island. Over the past three years the Company has supported this effort by increasing the marketing programs in the other divisions and strengthening the resources and operating systems in these divisions. The cost of these efforts are reflected in both marketing, general and administrative expenses as well as the revenue growth of the Company. Marketing, general and administrative expense as a percentage of total revenues were 5.4% in 2000, 6.0% in 1999 and 6.3% in 1998.

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Interest expense was \$96.3 million in 2000, \$74.3 million in 1999 and \$47.8 million in 1998. The increase of \$22.0 million from 1999 to 2000 is attributable to (i) a full year of interest on the mortgage debt relating to the Tower Portfolio acquisition (ii) interest on a \$70 million mortgage note for the 1350 Avenue of the Americas acquisition which occurred on January 13, 2000 and (iii) a full year of interest on the \$300 million of senior unsecured notes issued in March 1999. The increase of \$26.5 million from 1998 to 1999 is attributable to (i) an increase in mortgage debt including approximately \$232 million relating to the Tower Portfolio acquisition (ii) the issuance of \$300 million of senior unsecured notes in March 1999 and (iii) an increased average balance on the Company's unsecured credit facilities and unsecured term loan. The weighted average balance outstanding on the Company's unsecured credit facilities and unsecured term loan was \$416.5 million for 2000, \$423.8 million for 1999 and \$377.9 million for 1998.

Included in depreciation and amortization expense is amortized financing costs of \$4.1 million in 2000, \$3.4 million in 1999 and \$1.6 million in 1998. The increase of approximately \$700,000 from 1999 to 2000 is primarily attributable to the secured financings of 919 Third Avenue and 1350 Avenue of the Americas. The increase of \$1.8 million from 1998 to 1999 is primarily attributable to the increased loan costs incurred in connection with the Company increasing its unsecured term loan in January 1999 to \$75 million, the issuance of \$300 million of senior unsecured notes in March 1999 and the Company's \$130 million unsecured bridge facility obtained in connection with the Tower Portfolio acquisition in May 1999.

Extraordinary losses, net of minority interest resulted in a \$1.4 million

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loss in 2000, a \$555,000 loss in 1999 and a \$1.7 million loss in 1998. The extraordinary losses were all attributed to the write-offs of certain deferred loan costs incurred in connection with the Company's restructuring of its unsecured credit facilities and term loans.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

Net cash provided by operating activities totaled \$169.5 million in 2000, \$153.9 million in 1999 and \$120.1 million in 1998. Increases for each year were primarily attributable to the growth in cash flow provided by the acquisition of properties, the increased occupancy levels of the Company's development properties and the increase in rental rates in all of the Company's markets.

Net cash used in investing activities totaled \$281.6 million in 2000, \$392.2 million in 1999 and \$615.2 million in 1998. Cash used in investing activities related primarily to investments in real estate properties including development costs. The 1999 cash flows were also impacted by the acquisition of the first mortgage note securing 919 Third Avenue and by proceeds from the sales of real estate. In addition, during 1998, the Company purchased \$40 million of preferred stock of Tower Realty Trust, Inc. in connection with the Tower Portfolio acquisition.

Net cash provided by financing activities totaled \$108.5 million in 2000, \$257.4 million in 1999 and \$475.6 million in 1998. Cash provided by financing activities in 2000 was primarily attributable to secured debt financings, the redemption of preferred stock of KTR, minority partner contributions, and advances under the Company's unsecured credit facilities and term loan. Cash provided by financing activities in 1999 and 1998 was primarily attributable to proceeds from the issuances of common and preferred stock, senior unsecured notes, secured borrowings, minority partner contributions and advances under the Company's unsecured credit facilities and term loan.

On June 20, 2000, the Company issued 4,181,818 shares of Class A common stock in exchange for four million shares of Series B Convertible Cumulative Preferred Stock with a liquidation preference value of \$100 million.

Investing Activities

On January 13, 2000, the Company acquired 1350 Avenue of the Americas, a 540,000 square foot, 35 story, Class A office property, located in New York City, for a purchase price of approximately \$126.5 million. This acquisition was financed through a \$70 million secured debt financing and a draw under the Company's unsecured credit facility.

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On August 15, 2000, the Company acquired 538 Broadhollow Road, a 180,000 square foot Class A office property located in Melville, New York for a purchase price of approximately \$25.6 million. This acquisition was financed, in part, through a borrowing under the Company's unsecured credit facility.

In June 1998, the Company established the FrontLine Facility in the amount of \$100 million for FrontLine's investment activities, operations and for other general corporate purposes. As of December 31, 2000, approximately \$93.4 million had been advanced to FrontLine under this facility. In addition, the Company approved the commitment to fund investments of up to \$100 million with or in RSVP. As of December 31, 2000, the Company has funded approximately \$83.2 million under this commitment, of which \$41.1 million represents investments in RSVP -- controlled (REIT - qualified) joint ventures and \$42.1 million

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represents advances. In March 2001, the Company increased the RSVP Commitment to \$110 million and advanced approximately \$24 million under the RSVP Commitment to fund additional RSVP-controlled (REIT-qualified) joint ventures.

Financing Activities

During 2000, the Company paid cash dividends on its Class A common stock of approximately \$1.51 per share and approximately \$2.32 per share on its Class B common stock.

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 and 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 December 31, 2000, the Company purchased and retired 1,410,804 shares of Class B common stock for approximately \$30.3 million.

As of December 31, 2000, 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 Credit Facility replaced the Company's existing \$500 million unsecured credit facility (together with the Credit Facility, the "Credit Facility") and \$75 million term loan. As a result, certain deferred loan costs incurred in connection with such unsecured credit facility and term loan were written off. Such amount is reflected as an extraordinary loss in the Company's consolidated statements of income.

The Company utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working capital purposes. At December 31, 2000, the Company had availability under the Credit Facility to borrow an additional \$358.4 million (of which, \$51.3 million has been allocated for outstanding undrawn letters of credit).

On November 2, 2000, the Company obtained a three year secured \$250 million first mortgage commitment on the property located at 919 Third Avenue, New York N. Y. Interest rates on borrowings under the commitment are based on LIBOR plus a spread ranging from 110 basis points to 140 basis points based upon the outstanding balance. At closing, \$200 million was funded under the commitment at an interest rate of LIBOR plus 120 basis points. In addition, in connection with the \$200 million initial funding, the Company purchased a LIBOR interest rate hedge that provides for a maximum LIBOR rate of 9.25%. The initial funding was used primarily to repay outstanding borrowings under the Company's Credit Facility.

Capitalization

The Company's indebtedness at December 31, 2000 totaled approximately \$1.4 billion (including its share of joint venture debt and net of minority partners' interests) and was comprised of \$216.6 million outstanding under the Credit Facility, approximately \$449.4 million of senior unsecured notes and approximately \$714.8 million of mortgage indebtedness with a weighted average interest rate of approximately 7.8% and a weighted average maturity of approximately 8.1 years. Based on the Company's total market capitalization of approximately \$3.4 billion at December 31, 2000 (calculated based on the sum

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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 \$1.4 billion of debt), the Company's debt represented approximately 40.6% 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.

On October 16, 2000, the Company's Board of Directors announced that it adopted a Shareholder Rights Plan (the "Rights Plan") designed to protect shareholders from various abusive takeover tactics, including attempts to acquire control of the Company at an inadequate price, depriving shareholders of the full value of their investment. A description of the Rights Plan is included in the Notes to Financial Statements of the Company.

INFLATION

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

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FUNDS FROM OPERATIONS

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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 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. (See Selected Financial Data). 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.

The following table presents the Company's FFO calculation for the years ended December 31, (in thousands):

	2000	1999
	-----	-----
Income before preferred dividends and distributions, limited partners' minority interest in the operating partnership and extraordinary loss	\$ 127,107	\$ 97,240
Less:		
Preferred dividends and distributions	28,012	27,001
Extraordinary loss, net of limited partners' minority interest in the operating partnership of \$175, \$74 and \$323, respectively.....	1,396	555
Limited partners' minority interest in the operating partnership	11,669	9,407
	-----	-----
Net income available to common shareholders	86,030	60,277
Adjustments for Funds From Operations		
Add:		
Limited partners' minority interest in the operating partnership	11,669	9,407
Real estate depreciation and amortization	90,552	72,124
Minority interests' in consolidated partnerships	9,120	6,802
Extraordinary loss, net of limited partners' minority interest in the operating partnership of \$175, \$74 and \$323, respectively.....	1,396	555
Less:		
Gain (loss) on dispositions of real estate	18,669	10,052
Amount distributed to minority partners in consolidated partnerships	12,316	8,293
	-----	-----
Basic Funds From Operations	167,782	130,820
Add:		
Dilutive preferred dividends and distributions	34,387	30,861
	-----	-----
Diluted Fund From Operations	\$ 202,169	\$ 161,681
	=====	=====
Weighted Average Shares/OP Units outstanding (1)	61,050	54,719

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Diluted Weighted Average Shares/OP Units outstanding (1)	78,119	70,013
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(1) Assumes conversion of limited partnership units of the Operating Partnership.

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ITEM 7(A). 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 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 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 December 31, 2000 (dollars in thousands):

	FOR THE YEAR ENDED DECEMBER 31,			
	2001	2002	2003	2004
Long term debt:				
Fixed rate	\$ 23,225	\$ 17,011	\$ 8,905	\$ 112,370
Weighted average interest rate	7.59%	7.80%	7.79%	7.50%
Variable rate	\$ 70,000	\$ --	\$ 416,600	\$ --
Weighted average interest rate	8.43%		7.91%	
	THEREAFTER	TOTAL (1)	F M V	
Long term debt:				
Fixed rate	\$ 736,993	\$ 908,971	\$ 908,971	
Weighted average interest rate	7.56%	7.56%		
Variable rate	\$ --	\$ 486,600	\$ 486,600	
Weighted average interest rate		7.98%		

(1) Includes unamortized issuance discounts of \$615,000 on the 5 and 10 year

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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 \$4.9 million annual increase in interest expense based on approximately \$486.6 million of variable rate debt outstanding at December 31, 2000.

The following table sets forth the Company's mortgage notes and notes receivable by scheduled maturity date, weighted average interest rates and estimated FMV at December 31, 2000 (dollars in thousands):

	FOR THE YEAR ENDED DECEMBER 31,				
	2001	2002	2003	2004	2005
Mortgage notes and notes receivable:					
Fixed rate	\$ 15	\$ 4,209	\$ --	\$ 36,500	\$ --
Weighted average interest rate	9.00%	10.08%		10.23%	
		THEREAFTER	TOTAL (2)	F M V	
Mortgage notes and notes receivable:					
Fixed rate	\$ 16,990	\$ 57,714	\$ 57,714		
Weighted average interest rate	11.65%	10.63%			

(2) Excludes mortgage note receivable acquisition costs and interest receivables aggregating approximately \$506,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is included in a separate section of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the section captioned "Proposal I: Election of Directors" of the Company's definitive proxy statement for the 2001 annual meeting of stockholders is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the section captioned "Executive Compensation" of the Company's definitive proxy statement for the 2001 annual meeting of stockholders is incorporated herein by reference.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the section captioned "Principal and Management Stockholders" of the Company's definitive proxy statement for the 2001 annual meeting of stockholders is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the section captioned "Certain Relationships and Related Transactions" of the Company's definitive proxy statement for the 2001 annual meeting of the stockholders is incorporated herein by reference.

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PART IV

ITEM 14. FINANCIAL STATEMENTS AND SCHEDULES, EXHIBITS AND REPORTS ON FORM 8-K

(a) (1 and 2) Financial Statements and Schedules

The following consolidated financial information is included as a separate section of this annual report on Form 10-K:

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RECKSON ASSOCIATES REALTY CORP.	
Report of Independent Auditors	IV-5
Consolidated Balance Sheets as of December 31, 2000 and December 31, 1999	IV-6
Consolidated Statements of Income for the years ended December 31, 2000, 1999 and 1998	IV-7
Consolidated Statement of Stockholders' Equity for the years ended December 31, 2000, 1999 and 1998.	IV-8
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998	IV-9
Notes to Financial Statements	IV-10
Schedule III - Real Estate and Accumulated Depreciation	IV-29

All other schedules are omitted since the required information is not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements and notes thereto.

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(3) Exhibits

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EXHIBIT NUMBER	FILING REFERENCE	DESCRIPTION
3.1	a	Amended and
3.1	a	Amended and Restated Articles of Incorporation of the Registrant
3.1	a	Amended and Restated Articles of Incorporation of the Registrant
3.2	n	Amended and Restated By-Laws of the Registrant
3.3	g	Articles Supplementary of the Registrant Establishing and Fixing the Rights and Preferences of a Series of Shares of Preferred Stock filed with the Maryland Department of Assessments and Taxation on April 9, 1998
3.4	o	Articles Supplementary of the Registrant Establishing and Fixing the Rights and Preferences of a Class of Shares of Common Stock filed with the Maryland Department of Assessments and Taxation on May 24, 1999
3.5	j	Articles Supplementary of the Registrant Establishing and Fixing the Rights and Preferences of a Series of Shares of Preferred Stock filed with the Maryland Department of Assessments and Taxation on May 28, 1999
3.6	o	Articles of Amendment of the Registrant filed with the Maryland State Department of Assessments and Taxation on January 4, 2000
3.7	o	Articles Supplementary of the Registrant filed with the Maryland State Department of Assessments and Taxation on January 11, 2000
4.1	b	Specimen Share Certificate of Common Stock
4.2	g	Specimen Share Certificate of Series A Preferred Stock
4.3	i	Form of 7.40% Notes due 2004 of Reckson Operating Partnership, L.P.
4.4	i	Form of 7.75% Notes due 2009 of Reckson Operating Partnership, L.P.
4.5	i	Indenture, dated March 26, 1999, among Reckson Operating Partnership, L.P., the Registrant, and The Bank of New York, as trustee
4.6	p	Rights Agreement, dated as of October 13, 2000, between the Registrant and American Stock Transfer & Trust Company, as Rights Agent, which includes Exhibit A thereto, the Form of Articles Supplementary, as Exhibit B thereto, the Form of Right Certificate, and as Exhibit C thereto, the Summary of Rights of Purchase Preferred Shares
10.1	a	Amended and Restated Agreement of Limited Partnership of Reckson Operating Partnership, L.P.
10.2	g	Supplement to the Amended and Restated Agreement of Limited Partnership of Reckson Operating Partnership, L.P. Establishing Series A Preferred Units of Partnership Interest
10.3	g	Supplement to the Amended and Restated Agreement of Limited Partnership of Reckson Operating Partnership, L.P. Establishing Series B Preferred Units of Partnership Interest
10.4	g	Supplement to the Amended and Restated Agreement of Limited Partnership of Reckson Operating Partnership, L.P. Establishing Series C Preferred Units of Partnership Interest
10.5	g	Supplement to the Amended and Restated Agreement of Limited Partnership of Reckson Operating Partnership, L.P. Establishing Series D Preferred Units of Partnership Interest
10.6	o	Supplement to the Amended and Restated Agreement of Limited Partnership of Reckson Operating Partnership, L.P. Establishing Series B Common Units of Partnership Interest
10.7	o	Supplement to the Amended and Restated Agreement of Limited Partnership of Reckson Operating Partnership, L.P. Establishing Series E Preferred Units of Limited Partnership Interest
10.8		Supplement to the Amended and Restated Agreement of Limited Partnership of Reckson Operating Partnership, L.P. Establishing the Series F Junior Partnership Preferred Partnership Units
10.9	e	Third Amended and Restated Agreement of Limited Partnership of Omni Partnership, L.P.
10.10	p	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Donald Rechler
10.11	p	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Scott Rechler

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EXHIBIT NUMBER	FILING REFERENCE	DESCRIPTION
10.12	p	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Mitchell Rechler
10.13	p	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Gregg Rechler
10.14	p	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Roger Rechler
10.15	p	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Michael Maturo
10.16	p	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Jason Barnett
10.17	a	Purchase Option Agreements relating to the Reckson Option Properties
10.18	a	Purchase Option Agreements relating to the Other Option Properties
10.19	c	Amended 1995 Stock Option Plan
10.20	c	1996 Employee Stock Option Plan
10.21	b	Ground Leases for certain of the properties
10.22	h	Third Amended and Restated Agreement of Limited Partnership of Reckson Limited Partnership
10.23	a	Indemnity Agreement relating to 100 Oser Avenue
10.24	e	Amended and Restated 1997 Stock Option Plan
10.25	e	1998 Stock Option Plan
10.26	e	Note Purchase Agreement for the Senior Unsecured Notes
10.27	p	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Donald Rechler
10.28	p	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Scott Rechler
10.29	p	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Mitchell Rechler
10.30	p	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Gregg Rechler
10.31	p	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Roger Rechler
10.32	p	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Michael Maturo
10.33	p	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Jason Barnett
10.34	f	Amended and Restated Operating Agreement of Metropolitan Partners LLC, December 8, 1998
10.35	h	Intercompany Agreement by and between Reckson Operating Partnership, L.P., Reckson Service Industries, Inc., dated May 13, 1998
10.36	o	Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower and Reckson Operating Partnership, L.P., as Lender relating to Reckson Strategic Venture Partners, LLC ("Agreement")
10.37	o	Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower and Reckson Operating Partnership, L.P., as Lender relating to the operations of Reckson Service Industries, Inc. ("Credit Agreement")
10.38	o	Letter Agreement, dated November 30, 1999, amending the RSVP Credit Agreement and the RSI Credit Agreement
10.39	j	Purchase Agreement dated as of May 27, 1999 among Stichting Pensioenfonds voor de Reckson Service Industries, Inc., The Travelers Insurance Company, The Travelers Life and Annuity Company

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Standard Fire Insurance Company, Travelers Casualty and Surety Company Registrant and Reckson Operating Partnership, L.P. relating to 6,000,000 Series B Convertible Cumulative Preferred Stock

EXHIBIT NUMBER	FILING REFERENCE	DESCRIPTION
10.40	j	Registration Rights Agreement among Stichting Pensioenfonds ABP, The Travelers Life and Annuity Company, The Standard Fire Insurance Company, Travelers Casualty and Surety Company and the Registrant relating to 6,000,000 shares of Series B Convertible Cumulative Preferred Stock
10.41	k	Consolidated, Amended and Restated Fee and Leasehold Mortgage Note relating to 919 Third Avenue
10.42	m	Agreement of Purchase and Sale, between NBBRE 919 Third Avenue Associates, L.P., as Seller, and Reckson Operating Partnership, L.P., as Purchaser
10.43	k	Side Letter to Agreement of Purchase and Sale, between NBBRE 919 Third Avenue Associates, L.P., as Seller, and Reckson Operating Partnership, L.P., as Purchaser
10.44	l	Contribution and Exchange Agreement by and between Reckson Morris Industrial Trust, Reckson Morris Industrial Interim GP, LLC, Reckson Operating Partnership, L.P., Robert Morris, Joseph D. Morris, Ronald Schram, Mark M. Bava, The Morris Trust, The Justin Morris Trust, The Keith Morris Trust, Joseph Morris Family Limited Partnership and Robert Morris Family Limited Partnership, American Real Estate Investment L.P. and American Real Estate Corporation
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10.45	q	Registration Rights Agreement, dated June 16, 2000, between the Registrant and Stichting Pensioenfonds ABP
10.46	p	\$575 million Credit Facility dated as of September 7, 2000 among Reckson Operating Partnership, L.P., The Chase Manhattan Bank, UBS Warburg Dillon Read, Bank and Chase Securities Inc.
10.47	p	Guaranty Agreement dated as of September 7, 2000 among the Registrant, Manhattan Bank and UBS Warburg LLC
10.48	p	Operating Agreement dated as of September 28, 2000 between Reckson Tripartite Member LLC (together with its permitted successors and assigns) and Tripartite LLC
10.49		Secured Loan Agreement among Metropolitan 919 3rd Avenue LLC (as borrower), Merrill Lynch Mortgage Capital Inc., Bayerische Landesbank, Cayman Islands Branch, Commerzbank AG New York and Grand Cayman Branches, Wells Fargo Bank, National Association and the other lenders signatory thereto.
10.50		Loan agreement between 1350 LLC, as Borrower, and Secore Financial Corporation as Lender
10.51		Agreement of Spreader, Consolidation and Modification of Mortgage Security Agreement among Metropolitan 810 7th Ave., LLC, 100 Wall Company LLC and Monumental Life Insurance Company
10.52		Consolidated, Amended and Restated Secured Promissory Note relating to Metropolitan 810 7th Ave., LLC and 100 Wall Company LLC
12.1		Statement of Ratios of Earnings to Fixed Charges
21.1		Statement of Subsidiaries
23.0		Consent of Independent Auditors
24.1		Power of Attorney (included in Part IV of the Form 10-K)

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(a) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 333-1280) and incorporated herein by reference.

(b) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 33-84324) and incorporated herein by reference.

(c) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on November 25, 1996 and incorporated herein by reference.

(d) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on February 5, 1999 and incorporated herein by reference.

(e) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 1998 and incorporated herein by reference.

(f) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on December 22, 1998 and incorporated herein by reference.

(g) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on March 1, 1999 and incorporated herein by reference.

(h) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 16, 1999 and incorporated herein by reference.

(i) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on March 26, 1999 and incorporated herein by reference.

(j) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on June 7, 1999 and incorporated herein by reference.

(k) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on June 25, 1999 and incorporated herein by reference.

(l) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on August 25, 1999 and incorporated herein by reference.

(m) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on January 14, 2000 and incorporated herein by reference.

(n) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on November 13, 2000 and incorporated herein by reference.

(o) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 17, 2000 and incorporated herein by reference.

(p) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on October 17, 2000 and incorporated herein by reference.

(q) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on August 11, 2000 and incorporated herein by reference.

(B) REPORTS ON FORM 8-K

On October 17, 2000, the Registrant filed a report on Form 8-K relating to:

- (i) the authorization by the Registrant's Board of Directors of a dividend distribution of one preferred share purchase right for each outstanding shares of Class A common stock of the Registrant under a shareholder

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rights plans;

- (ii) the purchase by a subsidiary of Teachers Insurance and Annuity Association of America from a subsidiary of the Operating Partnership of a 49% interest in RT Tri-State LLC for approximately \$136 million;
- (iii) the Operating Partnership entering into an unsecured revolving credit facility of up to \$575 million with The Chase Manhattan Bank, UBS Warburg LLC, Deutsche Bank and Chase Securities Inc;
- (iv) the Registrant's entrance into employment and noncompetition agreements and severance agreements with each of its executive officers; and
- (v) the adoption by the Registrant's Board of Directors of a new bylaw provision.

On November 2, 2000, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit its third quarter presentation in satisfaction of the requirements of Regulation FD.

On November 3, 2000, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit supplemental operating and financial data for the third quarter in satisfaction of the requirements of Regulation FD.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 21, 2001.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Donald J. Rechler

(Donald J. Rechler)
Chairman of the Board, and
Co-Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that, that we, the undersigned officers and directors of Reckson Associates Realty Corp., hereby severally constitute Scott H. Rechler, Mitchell D. Rechler and Michael Maturo, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Form 10-K filed herewith and any and all amendments to said Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable Reckson Associates Realty Corp. to comply with the provisions of the Securities Exchange Act of 1934, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 21, 2001.

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NAME	TITLE	NAME	T
/s/ Donald J. Rechler ----- (Donald J. Rechler)	Chairman of the Board, Co-Chief Executive Officer and Director (principal executive officer)	/s/ Leonard Feinstein ----- Leonard Feinstein	Dir
/s/ Scott Rechler ----- (Scott Rechler)	President Co-Chief Executive Officer and Director	/s/ John N. Klein ----- (John N. Klein)	Dir
/s/ Roger M. Rechler ----- (Roger M. Rechler)	Vice Chairman of the Board, Executive Vice President and Director	/s/ Conrad Stephenson ----- (Conrad Stephenson)	Dir
/s/ Michael Maturo ----- (Michael Maturo)	Executive Vice President, Treasurer and Chief Financial Officer (principal financial officer and principal accounting officer)	/s/ Herve A. Kevenides ----- (Herve A. Kevenides)	Dir
/s/ Mitchell D. Rechler ----- (Mitchell D. Rechler)	Executive Vice President, Co - Chief Operating Officer and Director	/s/ Lewis S. Ranieri ----- (Lewis S. Ranieri)	Dir
		/s/ Harvey R. Blau ----- (Harvey R. Blau)	Dir

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders

Reckson Associates Realty Corp.

We have audited the accompanying consolidated balance sheets of Reckson Associates Realty Corp. as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. We have also audited the financial statement schedule listed in the index at item 14(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

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reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Reckson Associates Realty Corp. at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

ERNST & YOUNG LLP

New York, New York
February 13, 2001

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

	DECEMBER
	----- 2000 -----
ASSETS	
Commercial real estate properties, at cost: (Notes 2, 3, 5, 6 and 8)	
Land	\$ 396,482
Buildings and improvements	2,219,448
Developments in progress:	
Land	60,918
Development costs	93,759
Furniture, fixtures and equipment	7,138

	2,777,745
Less accumulated depreciation	(288,479)

	2,489,266
Investments in real estate joint ventures (Note 8)	43,534
Investment in mortgage notes and notes receivable (Note 6)	58,220
Cash and cash equivalents (Note 9)	17,843
Tenant receivables	11,511
Investments in and advances to affiliates (Note 8)	177,474
Deferred rents receivable	67,930
Prepaid expenses and other assets	68,895
Contract and land deposits and pre-acquisition costs	1,676
Deferred lease and loan costs, less accumulated amortization of \$32,773 and \$24,484, respectively.....	61,681

Total Assets	\$ 2,998,030 =====
LIABILITIES	

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Mortgage notes payable (Note 2)	\$ 728,971
Unsecured credit facility (Note 3)	216,600
Unsecured term loan (Note 3)	--
Senior unsecured notes (Note 4)	449,385
Accrued expenses and other liabilities (Note 5)	95,393
Dividends and distributions payable	28,801

Total Liabilities	1,519,150

Minority interests' in consolidated partnerships	226,350
Preferred unit interest in the operating partnership	42,518
Limited partners' minority interest in the operating partnership	97,353

	366,221

Commitments and other comments (Notes 9, 10 and 13)	--
STOCKHOLDERS' EQUITY (Note 7)	
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 and 6,000,000 shares issued and outstanding, respectively	20
Common Stock, \$.01 par value, 100,000,000 shares authorized	
Class A common stock, 45,352,286 and 40,375,506 shares issued and outstanding, respectively	454
Class B common stock, 10,283,513 and 10,283,763 shares issued and outstanding, respectively	103
Additional paid in capital	1,111,990

Total Stockholders' Equity	1,112,659

Total Liabilities and Stockholders' Equity	\$ 2,998,030
	=====

(see accompanying notes to financial statements)

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

	FOR THE YEAR

	2000

REVENUES (Note 10):	
Base Rents	\$ 397,327
Tenant escalations and reimbursements	54,750
Equity in earnings of service companies and real estate joint ventures.	4,383
Interest income on mortgage notes and notes receivable	8,212
Gain (loss) on dispositions of real estate (Note 6)	18,669

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Investment and other income	26,597

Total Revenues	509,938

EXPENSES:	
Property operating expenses	157,456
Marketing, general and administrative	27,371
Interest	96,337
Depreciation and amortization	92,547

Total Expenses	373,711

Income before preferred dividends and distributions, minority interests and extraordinary loss	136,227
Minority partners' interests in consolidated partnerships	(9,120)
Distributions to preferred unit holders	(2,641)
Limited partners' minority interest in the operating partnership	(11,669)

Income before dividends to preferred shareholders and extraordinary loss	112,797
Extraordinary loss on extinguishment of debts, net of limited partners' minority interest share of \$175, \$74 and \$323, respectively (Note 3) .	(1,396)

Net Income	111,401
Dividends to preferred shareholders	(25,371)

Net income available to common shareholders	\$ 86,030
	=====
Net income available to:	
Class A common shareholders	\$ 62,989
Class B common shareholders	23,041

Total	\$ 86,030
	=====
Basic earnings per weighted average common share:	
Class A common shareholders	\$ 1.49
Extraordinary loss per Class A common share	(.03)

Net income per Class A common share	\$ 1.46
	=====
Class B common shareholders	\$ 2.28
Extraordinary loss per Class B common share	(.04)

Net income per Class B common share	\$ 2.24
	=====
Basic weighted average common shares outstanding:	
Class A common shareholders	43,070,000
Class B common shareholders	10,284,000
Diluted net income per weighted average common share:	
Class A common shareholders	\$ 1.45
Class B common shareholders	\$ 1.59
Diluted weighted average common shares outstanding:	
Class A common shareholders	43,545,000
Class B common shareholders	10,284,000

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	CLASS A COMMON STOCK	CLASS B COMMON STOCK	SERIES A PREFERRED STOCK	SERIES B PREFERRED STOCK	ADDITIONAL PAID IN CAPITAL	RETAIN EARNIN
Stockholders equity						
January 1, 1998	\$ 378	\$ --	\$--	\$ --	\$ 448,287	\$
Net proceeds from preferred stock offering...	--	--	92	--	220,708	
Conversions of preferred stock	--	--	--	--	(31)	
Net proceeds from Class A common stock offerings	21	--	--	--	41,340	
Issuance of OP Units	--	--	--	--	11,576	
Net proceeds from long term compensation issuances	1	--	--	--	990	
Net Income	--	--	--	--	--	37,
Dividends and distributions paid and payable	--	--	--	--	(17,298)	(37,
Stockholders' equity						
December 31, 1998	400	--	92	--	705,572	
Net proceeds from preferred stock offering...	--	--	--	60	149,940	
Net proceeds from Class B common stock offering	--	117	--	--	302,536	
Repurchases of Class B common stock	--	(14)	--	--	(30,273)	
Redemption of OP Units.....	--	--	--	--	--	
Net proceeds from long term compensation issuances	4	--	--	--	1,593	
Net income	--	--	--	--	--	60,
Dividends and distributions paid and payable	--	--	--	--	(13,071)	(60,
Stockholders' equity						
December 31, 1999	404	103	92	60	1,116,297	
Conversion of Series B Preferred Stock	42	--	--	(40)	(6,765)	
Redemption of OP Units.....	--	--	--	--	--	
Net proceeds from long term compensation issuances	8	--	--	--	6,656	

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Net income	--	--	--	--	--	86,
Dividends and distributions paid and payable	--	--	--	--	(4,198)	(86,
Stockholders' equity						
December 31, 2000	\$ 454	\$ 103	\$92	\$ 20	\$ 1,111,990	\$
	=====	=====	===	=====	=====	=====

(see accompanying notes to financial statements)

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

	FOR THE YEAR
	2000

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income	\$ 111,401
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	92,547
Extraordinary loss, net of minority interests	1,396
Minority partners' interests in consolidated partnerships	9,120
Limited partners' minority interest in the operating partnership	11,669
Gain (loss) on dispositions of real estate, securities and mortgage repayment.....	(18,669)
Distributions from investments in real estate joint ventures	368
Equity in earnings of service companies and real estate joint ventures	(4,383)
Changes in operating assets and liabilities:	
Deferred rents receivable	(35,798)
Prepaid expenses and other assets	(9,582)
Tenant and affiliate receivables	(6,394)
Accrued expenses and other liabilities	17,857
Net cash provided by operating activities	169,532
CASH FLOWS FROM INVESTMENT ACTIVITIES:	
Purchases of commercial real estate properties	(190,548)
Investment in mortgage notes and notes receivable	--
(Increase) decrease in contract deposits and preacquisition costs	(2,023)
Additions to developments in progress	(13,392)
Additions to commercial real estate properties	(89,818)
Payment of leasing costs	(24,082)
Investments in securities	--
Additions to furniture, fixtures and equipment	(742)
Investments in real estate joint ventures	(10,780)
Investment in and distributions from service companies	--
Proceeds from dispositions of real estate, securities and mortgage note receivable repayments	49,810
Net cash used in investing activities	(281,575)

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CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from secured borrowings	297,163
Principal payments on secured borrowings	(27,367)
Proceeds from issuance of senior unsecured notes, net of issuance costs	--
Proceeds from issuance of preferred stock, net of issuance costs	--
Proceeds from redemption of KTR preferred stock	19,903
Payment of loan and equity issuance costs	(11,649)
Investments in and advances to affiliates	(12,516)
Proceeds from unsecured credit facilities and term loans	689,600
Principal payments on unsecured credit facilities and term loans	(845,600)
Repurchases of Class B common stock	--
Proceeds from issuance of common stock and exercise of options, net of issuance costs	4,010
Contributions by minority partners in consolidated partnerships	135,975
Distributions to minority partners in consolidated partnerships	(12,632)
Distributions to limited partners in the operating partnership	(11,654)
Distributions to preferred unit holders	(2,641)
Dividends to common shareholders	(87,437)
Dividends to preferred shareholders	(26,637)
Net cash provided by financing activities	108,518
Net increase (decrease) in cash and cash equivalents	(3,525)
Cash and cash equivalents at beginning of period	21,368
Cash and cash equivalents at end of period	\$ 17,843
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period for interest, including interest capitalized	\$ 106,106

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

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").

ORGANIZATION AND FORMATION OF THE COMPANY

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

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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.

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 (see note 6).

BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the consolidated financial position of the Company and the Operating Partnership at December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000. The Operating Partnership's investments in Metropolitan, Omni Partner's, L. P. ("Omni"), the Tri-State JV (see note 6) and certain industrial joint venture properties formerly owned by Reckson Morris Operating Partnership, L. P. ("RMI") are reflected in the accompanying financial statements on a consolidated basis with a reduction for minority partners' interest. The Operating Partnership's investment in RMI was reflected in the accompanying financial statements on a consolidated basis with a reduction for minority partner's interest through September 26, 1999. On September 27, 1999, the Operating Partnership sold its interest in RMI to Keystone Property Trust ("KTR"). The operating results of the service businesses currently conducted by Reckson Management Group, Inc. ("RMG"), and Reckson Construction Group, Inc. ("RCG"), 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.

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

The merger with Tower was accounted for as a purchase in accordance with Accounting Principles Board Opinion No. 16. Accordingly, the fair value of the consideration given by the Company, in accordance with the accounting principles generally accepted in the United States ("GAAP"), was used as the

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valuation basis for the merger. The assets acquired and liabilities assumed by the Company were recorded at the fair value as of the closing date of the merger.

The minority interests at December 31, 2000 represent an approximate 12% limited partnership minority 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.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Real Estate

Depreciation is computed utilizing the straight-line method over the estimated useful lives of ten to thirty years for buildings and improvements and five to ten years for furniture, fixtures and equipment. Tenant improvements, which are included in buildings and improvements, are amortized on a straight-line basis over the term of the related leases.

Cash Equivalents

The Company considers highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Tenant's lease security deposits aggregating approximately \$6.1 million and \$5.1 million at December 31, 2000 and 1999, respectively have been included in cash and cash equivalents on the accompanying balance sheets.

Deferred Costs

Tenant leasing commissions and related costs incurred in connection with leasing tenant space are capitalized and amortized over the life of the related lease. In addition, loan costs incurred are capitalized and amortized over the term of the related loan.

Costs incurred in connection with stock offerings are charged to stockholders equity when incurred.

Income Taxes

The Company generally will not be subject to federal income taxes as long as it qualifies as a REIT. A REIT will generally not be subject to federal income taxation on that portion of income that qualifies as REIT taxable income and to the extent that it distributes such taxable income to its stockholders and complies with certain requirements. As a REIT, the Company is allowed to reduce taxable income by all or a portion of distributions to stockholders and must distribute at least 90% of its taxable income to qualify as a REIT. As distributions, for federal income tax purposes, have exceeded taxable income, no federal income tax provision has been reflected in the accompanying consolidated financial statements. State income taxes are not significant.

During 2000, the Company paid cash dividends on its Class A common stock

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of approximately \$1.51 per share and \$2.32 per share on its Class B common stock. During 1999, the Company paid cash dividends on its Class A common stock of approximately \$1.42 per share and approximately \$.98 per

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

share (representing the period from May 24, 1999 through October 31, 1999) on its Class B common stock. For 2000, approximately 90.08% of the dividends paid on the Company's Class A common stock and Class B common stock were considered ordinary income for federal tax purposes. The remaining 9.92% of the dividends paid were treated as a capital gain distribution, with approximately 5.65% of the dividends subject to a 20% tax rate and approximately 4.27% of the dividends subject to a 25% tax rate for individuals and certain other tax payers. For 1999, approximately 92.75% of the dividends paid on the Company's Class A common stock and Class B common stock were considered ordinary income for federal tax purposes. The remaining 7.25% of the dividends paid were treated as a capital gain distribution, subject to a 20% tax rate for individuals and certain other taxpayers.

Revenue Recognition

Minimum rental income is recognized on a straight-line basis over the term of a lease. The excess of rents recognized over amounts contractually due are included in deferred rents receivable on the accompanying balance sheets. Contractually due but unpaid rents are included in tenant receivables on the accompanying balance sheets. Certain lease agreements provide for reimbursement of real estate taxes, insurance, common area maintenance costs and indexed rental increases, which are recorded on an accrual basis.

The Company records interest income on investments in mortgage notes and notes receivable on an accrual basis of accounting. The Company does not accrue interest on impaired loans where, in the judgment of management, collection of interest according to the contractual terms is considered doubtful. Among the factors the Company considers in making an evaluation of the collectibility of interest are: (i) the status of the loan, (ii) the value of the underlying collateral, (iii) the financial condition of the borrower and (iv) anticipated future events.

Gain (loss) on dispositions of real estate are recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale.

Earnings Per Share

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement No. 128, "Earnings per Share" ("Statement 128") which replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented. The conversion of OP Units into Class A common stock would not have a significant effect on per share amounts as the OP Units share proportionately with the Class A common stock in the results of the Operating Partnership's operations.

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Stock Options

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options because, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation," ("Statement 123") requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, no compensation expense was recognized because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant (see Note 7).

Segment Reporting

In 1997, the FASB issued Statement No. 131 "Disclosures about segments of an Enterprise and Related Information" ("Statement 131") which is effective for fiscal years beginning after December 15, 1997. Statement 131 establishes standards for reporting information about operating segments in annual

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

financial statements and in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The adoption of this standard had no impact on the Company's financial position or results of operations but did affect the disclosure of segment information (see Note 11).

Recent Pronouncements

In June 1999, the FASB issued Statement No. 137, amending Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", which extended the required date of adoption to the years beginning after June 15, 2000. The Company will adopt the new Statement effective January 1, 2001. Because of the Company's minimal use of derivatives, management does not anticipate that the adoption of the new Statement will have a significant effect on earnings or the financial position of the Company.

Reclassifications

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

2. MORTGAGE NOTES PAYABLE

At December 31, 2000, there were 19 mortgage notes payable with an aggregate outstanding principal amount of approximately \$729 million. Properties with an aggregate carrying value at December 31, 2000 of approximately \$1,362 million are pledged as collateral against the mortgage notes payable. In addition, approximately \$47 million of the \$729 million are recourse to the Company. The mortgage notes bear interest at rates ranging from 6.45% to 10.10%, and mature between 2001 and 2027. The weighted average interest rates on the outstanding mortgage notes payable at December 31, 2000, 1999 and 1998 were approximately 7.8%, 7.6% and 7.8%, respectively. Certain of

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the mortgage notes payable are guaranteed by certain minority partners in the Operating Partnership.

Scheduled principal repayments during the next five years and thereafter are as follows (in thousands):

YEAR ENDED DECEMBER 31,

2001	\$ 93,225
2002	17,011
2003	208,905
2004	12,370
2005	10,467
Thereafter	386,993

	\$ 728,971
	=====

On January 13, 2000, in connection with the acquisition of 1350 Avenue of the Americas, the Company obtained a secured \$70 million first mortgage commitment which matures in August 2001 and bears interest at LIBOR plus 165 basis points.

On November 2, 2000, in connection with the acquisition of 919 Third Avenue, the Company obtained a three year secured \$250 million first mortgage commitment. Interest rates on borrowings under the commitment are based on LIBOR plus a spread ranging from 110 basis points to 140 basis points based upon the outstanding balance. At closing, \$200 million was funded under the commitment at an interest rate of LIBOR plus 120 basis points. In addition, in connection with the \$200 million initial funding, the Company purchased a LIBOR interest rate hedge that provides for a maximum LIBOR rate of 9.25%. The initial funding was used primarily to repay outstanding borrowings under the Company's unsecured credit facility.

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

3. UNSECURED CREDIT FACILITY

As of December 31, 2000, 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 Credit Facility replaced the Company's existing \$500 million unsecured credit facility (together with the Credit Facility, the "Credit Facility") and \$75 million term loan. As a result, certain deferred loan costs incurred in connection with such unsecured credit facility and term loan were written off. Such amount is reflected as an extraordinary loss in the accompanying consolidated statements of income.

The Company utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working

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capital purposes. At December 31, 2000, the Company had availability under the Credit Facility to borrow an additional \$358.4 million (of which, \$51.3 million has been allocated for outstanding undrawn letters of credit).

The Company capitalized interest incurred on borrowings to fund certain development costs in the amount of \$11.5 million, \$9.8 million and \$7.3 million for the years ended December 31, 2000, 1999 and 1998, respectively.

4. SENIOR UNSECURED NOTES

As of December 31, 2000, 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

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. LAND LEASES AND AIR RIGHTS

The Company leases, pursuant to noncancellable operating leases, the land on which fourteen of its buildings were constructed. The leases, which contain renewal options, expire between 2009 and 2236. The leases either contain provisions for scheduled increases in the minimum rent at specified intervals or for adjustments to rent based upon the fair market value of the underlying land or other indexes at specified intervals. Minimum ground rent is recognized on a straight-line basis over the terms of the leases. The excess of amounts recognized over amounts contractually due is approximately \$2.7 million and \$2.6 million at December 31, 2000 and 1999, respectively. These amounts are included in accrued expenses and other liabilities on the accompanying balance sheets.

In addition, the Company, through the acquisition of certain properties, is subject to three air rights lease agreements. These lease agreements have terms expiring between 2048 and 2236, including renewal options.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

5. LAND LEASES AND AIR RIGHTS - (CONTINUED)

Future minimum lease commitments relating to the land leases and air rights lease agreements during the next five years and thereafter are as follows (in thousands):

YEAR ENDED DECEMBER 31,	LAND LEASES	AIR RIGHTS
2001	\$ 2,114	\$ 940
2002	2,059	941
2003	2,058	944
2004	2,182	954
2005	2,185	954
Thereafter	51,084	137,791
	\$ 61,682	\$ 142,524
	=====	=====

6. COMMERCIAL REAL ESTATE INVESTMENTS

The Tower Merger

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.

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.

Prior to the closing of the merger, the Company arranged for the sale of four of Tower's Class B New York City properties, comprising approximately 701,000 square feet for approximately \$84.5 million. Subsequent to the closing of the merger, the Company has sold a real estate joint venture interest and all of the property located outside the Tri-State Area other than one office property located in Orlando, Florida for approximately \$171.1 million. The combined consideration consisted of approximately \$143.8 million in cash and approximately \$27.3 million of debt relief. Net cash proceeds from the sales

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were used primarily to repay borrowings under the Credit Facility. As a result of incurring certain sales and closing costs in connection with the sale of the assets located outside the Tri-State Area, the Company has incurred a loss of approximately \$4.4 million which has been included in gain (loss) on dispositions of real estate on the accompanying consolidated statements of income.

"Big Box" Industrial Investment Activity

On August 9, 1999, the Company executed a contract for the sale, which took place in three stages, of its interest in RMI, which consisted of 28 properties, comprising approximately 6.1 million square feet and three other big box industrial properties to KTR. In addition, the Company also entered into a sale agreement with the Matrix Development Group ("Matrix") relating to a first mortgage note and certain industrial land holdings (the "Matrix Sale"). The combined total sales price of \$310 million (\$52 million

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

6. COMMERCIAL REAL ESTATE INVESTMENTS - (CONTINUED)

of which is attributable to the Morris Companies and its affiliates in the form of \$41.6 million of preferred units of KTR's operating partnership and \$10.4 million of debt relief) consisted of (i) approximately \$159.7 million in cash, (ii) \$41.5 million in convertible preferred and common stock of KTR, (iii) \$61.6 million in preferred units of KTR's operating partnership, (iv) approximately \$37.1 million of debt relief and (v) approximately \$10.1 million in purchase money mortgage notes secured by certain land that is being sold to Matrix.

As of December 31, 2000, the Matrix Sale and the sale of the Company's interest in RMI was completed. As a result, the Company realized a gain of approximately \$16.7 million. Such gain has been included in gain on dispositions of real estate on the accompanying consolidated statements of income. Cash proceeds from the sales were used primarily to repay borrowings under the Credit Facility. In addition, as of December 31, 2000, the Company redeemed approximately \$20 million of the preferred stock of KTR and received principal repayments of approximately \$7.2 million related to the purchase money mortgage notes, all of which was used primarily for general operating expenditures.

Other Real Estate Investment Activity

On April 13, 1999, the Company received approximately \$25.8 million from the repayment of a mortgage note receivable which had been acquired at a discount and secured three office properties located in Garden City, Long Island, encompassing approximately 400,000 square feet. As a result, the Company recognized a gain of approximately \$4.3 million. Such gain has been included in gain on dispositions of real estate on the accompanying consolidated statements of income.

On June 15, 1999, the Company acquired the first mortgage note secured by a 47 story, 1.4 million square foot Class A office property located at 919 Third Avenue in New York City for approximately \$277.5 million. The first mortgage note entitled the Company to all the net cash flow of the property and to substantial rights regarding the operations of the property, with the

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Company anticipating to ultimately obtain title to the property. This acquisition was financed with proceeds from the issuance of six million shares of Series B Convertible Cumulative Preferred Stock and through draws under the Credit Facility. Current financial accounting guidelines provides that where a lender has virtually the same risks and potential rewards as those of a real estate owner it should recognize the full economics associated with the operations of the property. As such, the Company has recognized the real estate operations of 919 Third Avenue in the accompanying consolidated statements of income from the date of acquisition. On July 28, 2000, the Company consented to the filing of a consensual, pre-packaged bankruptcy plan with the current fee owner and on November 2, 2000 the Company obtained title to the property.

On January 13, 2000, the Company acquired 1350 Avenue of the Americas, a 540,000 square foot, 35 story, Class A office property, located in New York City, for a purchase price of approximately \$126.5 million. This acquisition was financed through a \$70 million secured debt financing and a draw under the Credit Facility.

On August 15, 2000, the Company acquired 538 Broadhollow Road, a 180,000 square foot Class A office property located in Melville, New York for a purchase price of approximately \$25.6 million. This acquisition was financed, in part, through a borrowing under the Credit Facility.

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 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. As a result, the Company realized a gain of approximately \$15.2 million. Such gain has been included in gain on dispositions of real estate on the accompanying consolidated statements of income. Cash proceeds received were used primarily to repay borrowings under the Credit Facility.

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

6. COMMERCIAL REAL ESTATE INVESTMENTS - (CONTINUED)

In addition, as of December 31, 2000, the Company has invested approximately \$6.4 million in mortgage notes encumbering approximately 101 acres of land, approximately \$17.1 million in a note receivable secured by a partnership interest in Omni Partner=s, 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 bear interest at rates ranging from 10.5% to 11% per annum and are secured by a minority partner's preferred unit interest in the Operating Partnership.

The Company has announced that it has withdrawn its offer to purchase a tract of land located in Suffolk County, New York from the State of New York. As a result, as of December 31, 2000, the Company incurred a one-time non-recurring charge of \$3.2 million in connection with the discontinuation of this development project. Such amount has been included in gain (loss) on dispositions of real estate on the accompanying consolidated statements of income.

7. STOCKHOLDERS' EQUITY

An OP Unit and a share of Class A common stock have essentially the same

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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, 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 June 2, 1999, the Company issued six million shares of Series B Convertible Cumulative Preferred Stock (the "Series B preferred stock") for aggregate proceeds of \$150 million. The Series B preferred stock is redeemable by the Company on or after March 2, 2002 and is convertible into the Company's Class A common stock at a price of \$26.05 per share. The Series B preferred stock accumulates dividends at an initial rate of 7.85% per annum with such rate increasing to 8.35% per annum on April 30, 2000 and to 8.85% per annum from and after April 30, 2001. On June 20, 2000, the Company issued 4,181,818 shares of Class A common stock in exchange for four million shares of Series B preferred stock with a liquidation preference value of \$100 million.

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 December 31, 2000, the Company had purchased and retired 1,410,804 shares of Class B common stock for approximately \$30.3 million.

On October 16, 2000, the Company's Board of Directors announced that it adopted a Shareholder Rights Plan (the "Rights Plan") designed to protect shareholders from various abusive takeover tactics, including attempts to acquire control of the Company at an inadequate price, depriving shareholders of

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

7. STOCKHOLDERS' EQUITY - (CONTINUED)

the full value of their investment. The Rights Plan is designed to allow the Board of Directors to secure the best available transaction for all the Company's shareholders. The Rights Plan was not adopted in response to any known effort to acquire control of the Company.

Under the Rights Plan, each shareholder will receive a dividend of one

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Right for each share of the Company's outstanding Class A common stock owned. The Rights will be exercisable only if a person or group acquires, or announces their intent to acquire, 15% or more of the Company's Class A common stock, or announces a tender offer the consummation of which would result in beneficial ownership by a person or group of 15% or more of the Class A common stock. Each Right will entitle the holder to purchase one one-thousandth of a share of a new series of junior participating preferred stock of the Company at an initial exercise price of \$84.44.

If any person acquires beneficial ownership of 15% or more of the outstanding shares of Class A common stock, then all Rights holders except the acquiring person will be entitled to purchase the Company's Class A common stock at a price discounted from the then market price. If the Company is acquired in a merger after such an acquisition, all Rights holders except the acquiring person will also be entitled to purchase stock in the buyer at a discount in accordance with the Rights Plan.

The distribution of Rights was made to Class A common shareholders of record at the close of business on October 27, 2000 and shares of Class A common stock that are newly-issued after that date (including shares of Class A common stock issued upon conversion of the outstanding Class B common stock) will also carry Rights until the Rights become detached from the Class A common stock. The Rights will expire at the close of business on October 13, 2010, unless earlier redeemed by the Company. The Rights distribution is not taxable to stockholders.

The Company has made loans to certain executive officers to purchase 1,022,393 shares of Class A common stock at market prices ranging from \$18.44 per share to \$27.13 per share. The loans bear interest at the mid-term Applicable Federal Rate and are secured by the shares purchased. Such loans including accrued interest will be ratably forgiven each year on the annual anniversary of the grant date based upon amortization periods ranging from four to ten years and in certain instances based on meeting certain performance criteria. Loans which are secured by 310,834 shares of Class A common stock are due with a balloon payment on the fifth anniversary of the grant date. The loan balances aggregated approximately \$18.7 million and \$11.1 million at December 31, 2000 and 1999, respectively and have been included as a reduction of additional paid in capital on the accompanying consolidated statement of stockholders' equity.

The Company has established the 1995, 1996, 1997 and 1998 Employee Stock Option Plans (the "Plans") for the purpose of attracting and retaining executive officers, directors and other key employees. As of December 31, 2000, 1,500,000, 400,000, 3,000,000 and 3,000,000 of the Company's authorized shares have been reserved for issuance under the 1995, 1996, 1997 and 1998 Plans, respectively.

The following table sets forth the options granted under the Plans and their corresponding exercise price range per share:

	OPTIONS GRANTED (1)	EXERCISE PRICE RANGE	
		FROM (1)	TO (1)
1995 Employee Stock Option Plan	1,507,538	\$ 12.04	\$ 25.56
1996 Employee Stock Option Plan	252,100	\$ 19.63	\$ 26.13
1997 Employee Stock Option Plan	2,485,965	\$ 22.67	\$ 27.04
1998 Employee Stock Option Plan	2,152,501	\$ 17.75	\$ 25.67

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Total	6,398,104
	=====

 (1) Exercise prices have been split adjusted, where applicable.

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RECKSON ASSOCIATES REALTY CORP.
 NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

7. STOCKHOLDERS' EQUITY - (CONTINUED)

Options granted to employees generally vest in three equal installments on the first, second and third anniversaries of the date of the grant.

The independent directors of the Company have been granted options to purchase 141,000 shares of Class A common stock pursuant to the 1995 Employee Stock Option Plan at exercise prices ranging from \$12.04 to \$25.56 per share and options to purchase 3,000 of Class A common stock pursuant to the 1997 Employee Stock Option Plan at an exercise price of \$25.23 per share. The options granted to the independent directors were exercisable on the date of the grant.

During 2000 and 1999, employees exercised 280,087 and 88,308 options, respectively resulting in proceeds to the Company of approximately \$4.2 million and \$1.2 million, respectively.

Pro forma information regarding net income and earnings per share is required by Statement 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of Statement 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2000, 1999 and 1998, respectively: risk-free interest rate of 5%; dividend yields of 6.69%, 7.47% and 6.45%; volatility factors of the expected market price of the Company's Class A common stock of .206 and a weighted-average expected life of the option of five years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

The following table sets forth the Company's pro forma information for its Class A common stockholders for the years ended December 31:

	2000	1999	1998
	-----	-----	-----

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Pro Forma net income (in thousands)	\$ 62,671	\$ 46,744	\$ 32,846
	-----	-----	-----
Basic pro forma earnings per share	\$ 1.46	\$ 1.16	\$.83
	-----	-----	-----
Diluted pro forma earnings per share	\$ 1.44	\$ 1.15	\$.82
	-----	-----	-----

The following table summarizes the Company's stock option activity and related information:

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
	-----	-----
Outstanding -- January 1, 1998	2,407,766	\$ 20.16
Granted	2,431,132	\$ 24.03
Exercised	(74,837)	\$ 14.76
Forfeited	(30,417)	\$ 25.44

Outstanding -- December 31, 1998	4,733,644	\$ 22.22
Granted	619,217	\$ 20.82
Exercised	(88,308)	\$ 13.99
Forfeited	(90,632)	\$ 23.44

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

7. STOCKHOLDERS' EQUITY - (CONTINUED)

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
	-----	-----
Outstanding - December 31, 1999	5,173,921	\$ 22.17
Granted	739,750	\$ 22.86
Exercised	(280,087)	\$ 13.00
Forfeited	(145,000)	\$ 22.50

Outstanding - December 31, 2000	5,488,584	\$ 22.70

The weighted average fair value of options granted for the years ended December 31, 1998, 1999 and 2000 was \$2.06, \$2.10 and 2.15, respectively. In addition, there were 4,527,144 options at a weighted average per share exercise price of \$22.22, 5,137,588 options at a weighted average per share exercise price of \$22.17 and 4,498,828 options at a weighted average per share exercise price of \$22.70 exercisable at December 31, 1998, 1999 and 2000, respectively.

Exercise prices for options outstanding as of December 31, 2000 ranged

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from \$12.04 per share to \$27.04 per share. The weighted-average remaining contractual life of those options is approximately 7.61 years.

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 as required by Statement 128 for the years ended December 31 (in thousands except for earnings per share data):

	2000	1999
Numerator:		
Income before extraordinary loss, dividends to preferred shareholders and income allocated to Class B shareholders	\$ 112,797	\$ 85,199
Dividends to preferred shareholders	(25,371)	(24,360)
Extraordinary loss (net of share applicable to limited partners and Class B common shareholders)	(1,032)	(380)
Income allocated to Class B common shareholders	(23,405)	(12,910)
	-----	-----
Numerator for basic and diluted earnings per share	\$ 62,989	\$ 47,529
	=====	=====
Denominator:		
Denominator for basic earnings per share- weighted average Class A common shares	43,070	40,270
Effect of dilutive securities:		
Employee stock options	475	400
	-----	-----
Denominator for diluted earnings per Class A common share-adjusted weighted average shares and assumed conversions	43,545	40,670
	=====	=====
Basic earnings per Class A common share:		
Income before extraordinary loss	\$ 1.49	\$ 1.11
Extraordinary loss	(.03)	(.00)
	-----	-----
Net income per Class A common share	\$ 1.46	\$ 1.11
	=====	=====
Diluted earnings per Class A common share:		
Income before extraordinary loss	\$ 1.47	\$ 1.11
Extraordinary loss	(.02)	(.00)
	-----	-----
Diluted net income per Class A common share	\$ 1.45	\$ 1.11
	=====	=====

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

7. STOCKHOLDERS' EQUITY - (CONTINUED)

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 as required by Statement 128 for the years ended December 31 (in thousands except for earnings per share data):

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	2000	1999
	-----	-----
Numerator:		
Income before extraordinary loss, dividends to preferred shareholders and income allocated to Class A common shareholders	\$ 112,797	\$ 85,192
Dividends to preferred shareholders	(25,371)	(24,360)
Extraordinary loss (net of share applicable to limited partners and Class A common shareholders)	(364)	(166)
Income allocated to Class A common shareholders	(64,021)	(47,918)
	-----	-----
Numerator for basic earnings per share	23,041	12,748
Add back:		
Net income allocated to Class A common shareholders	62,989	47,529
Limited partners' minority interest in the operating partnership	11,669	9,407
	-----	-----
Numerator for diluted earnings per share	\$ 97,699	\$ 69,684
	=====	=====
Denominator:		
Denominator for basic earnings per share- weighted average Class B common shares	10,284	6,744
Effect of dilutive securities:		
Weighted average Class A common shares outstanding	43,070	40,270
Weighted average OP Units outstanding	7,696	7,705
Employee stock options	475	406
	-----	-----
Denominator for diluted earnings per Class B common share-adjusted weighted average shares and assumed conversions	61,525	55,125
	=====	=====
Basic earnings per Class B common share:		
Income before extraordinary loss	\$ 2.28	\$ 1.91
Extraordinary loss	(.04)	(.02)
	-----	-----
Net income per Class B common share	\$ 2.24	\$ 1.89
	=====	=====
Diluted earnings per Class B common share:		
Income before extraordinary loss	\$ 1.62	\$ 1.27
Extraordinary loss	(.03)	(.01)
	-----	-----
Diluted net income per Class B common share	\$ 1.59	\$ 1.26
	=====	=====

The Company's computation for purposes of calculating the diluted weighted average Class B common shares outstanding is based on the assumption that the Class B common stock is converted to the Company's Class A common stock.

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

8. RELATED PARTY TRANSACTIONS

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The Company, through its subsidiaries and affiliates, provides management, leasing and other tenant related services to the Properties. Certain executive officers of the Company have continuing ownership interests in the unconsolidated service companies.

In connection with the IPO, the Company was granted a ten year option period to acquire ten properties which are either owned by the Reckson Group, the predecessor to the Company, or in which the Reckson Group owns a non-controlling minority interest. As of December 31, 2000 one of these properties was sold by the Reckson Group to a third party and four of these properties were acquired by the Company for an aggregate purchase price of approximately \$35 million, which included the issuance of approximately 475,000 OP Units valued at approximately \$8.8 million.

During July 1999, the Company sold its interest in a 852,000 square foot development property to RCG in exchange for a \$12.3 million note. The note accrues interest annually at the rate of 12%, has a five year maturity and is prepayable in whole or in part. During October 1999, RCG made a payment to the Company, in the form of 97 shares of its preferred stock, valued at approximately \$4.0 million, towards accrued interest and principal due under the note.

The Operating Partnership and FrontLine Capital Group ("FrontLine") have entered into an intercompany agreement (the "Reckson Intercompany Agreement") to formalize their relationship and to limit conflicts of interest. Under the Reckson Intercompany Agreement, FrontLine granted the Operating Partnership a right of first opportunity to make any REIT-qualified investment that becomes available to FrontLine. In addition, if a REIT-qualified investment opportunity becomes available to an affiliate of FrontLine, including Reckson Strategic Venture Partners, LLC ("RSVP"), the Reckson Intercompany Agreement requires such affiliate to allow the Operating Partnership to participate in such opportunity to the extent of FrontLine's interest.

Under the Reckson Intercompany Agreement, the Operating Partnership granted FrontLine a right of first opportunity to provide commercial services to the Operating Partnership and its tenants. FrontLine will provide services to the Operating Partnership at rates and on terms as attractive as either the best available for comparable services in the market or those offered by FrontLine to third parties. In addition, the Operating Partnership will give FrontLine access to its tenants with respect to commercial services that may be provided to such tenants and, under the Reckson Intercompany Agreement, subject to certain conditions, the Operating Partnership granted FrontLine a right of first refusal to become the lessee of any real property acquired by the Operating Partnership if the Operating Partnership determines that, consistent with the Company's status as a REIT, it is required to enter into a "master" lease agreement.

RSVP-Controlled REIT-Qualified Joint Venture Investments

On August 27, 1998 the Company announced the formation of a joint venture with RSVP and the Dominion Group, an Oklahoma-based, privately-owned group of companies that focuses on the development, acquisition and ownership of government occupied office buildings and correctional facilities. The new venture, Dominion Properties LLC (the "Dominion Venture"), is owned by Dominion Venture Group LLC, and by a subsidiary of the Company. The Dominion Venture is primarily engaged in acquiring, developing and/or owning government-occupied office buildings and privately operated correctional facilities. Under the Dominion Venture's operating agreement, RSVP may invest up to \$100 million, some of which may be invested by the Company (the "RSVP Capital"). The initial contribution of RSVP Capital was approximately \$39 million of which approximately \$10.1 million was invested by a subsidiary of the Company. The Company's investment was funded through the RSVP Commitment. In addition, the

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Company advanced approximately \$3.3 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested on a joint venture basis with the Dominion Group in certain service business activities

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

8. RELATED PARTY TRANSACTIONS - (CONTINUED)

related to the real estate activities. As of December 31, 2000, the Company had invested, through the RSVP Commitment, approximately \$20.6 million in the Dominion Venture which had investments in 13 government office buildings and three correctional facilities.

As of December 31, 2000, the Company has invested approximately \$11.1 million, through a subsidiary, in RAP Student Housing Properties, LLC ("RAP -- SHP"), a company that engages primarily in the acquisition and development of off-campus student housing projects. The Company's investment was funded through the RSVP Commitment. In addition, the Company has advanced approximately \$3.5 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested in certain service business activities related to student housing. As of December 31, 2000, RAP -- SHP had investments in seven off -- campus student housing projects. Additionally, during 2000, RAP-SHP entered into an off -- campus development joint venture with Titan Investments II, a third party national developer. The purpose of the venture is to develop or reposition off -- campus student housing projects across the United States.

As of December 31, 2000, the Company has invested approximately \$3.4 million, through a subsidiary, in RAP MD, LLC ("RAP -- MD"), a company that engages primarily in the acquisition, ownership, management and development of medical office properties. The Company's investment was funded through the RSVP Commitment. As of December 31, 2000, RAP -- MD had investments in eight medical office properties.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with FASB Statement No. 107, "Disclosures About Fair Value of Financial Instruments", management has made the following disclosures of estimated fair value at December 31, 2000 as required by FASB Statement No. 107.

Cash equivalents and variable rate debt are carried at amounts which reasonably approximate their fair values.

The fair value 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 duration. In addition, management believes that the estimated aggregate fair value of these assets and liabilities approximates their carrying values.

Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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10. RENTAL INCOME

The office and industrial Properties are being leased to tenants under operating leases. The minimum rental amount due under certain leases are generally either subject to scheduled fixed increases or indexed escalations. In addition, the leases generally also require that the tenants reimburse the Company for increases in certain operating costs and real estate taxes above base year costs.

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

10. RENTAL INCOME - (CONTINUED)

Expected future minimum rents to be received over the next five years and thereafter from leases in effect at December 31, 2000 are as follows (in thousands):

2001	\$ 378,057
2002	380,665
2003	355,064
2004	324,183
2005	278,782
Thereafter	1,465,457

	\$ 3,182,208
	=====

11. 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, certain industrial joint venture properties formerly owned by RMI and for the period commencing January 6, 1998 and ending September 26, 1999, industrial properties which were owned by RMI and subsequently sold to KTR. The Company has managing directors who report directly to the Chief Operating Officer 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, term loan and Senior Unsecured Notes, (ii) the operating performance of the office property located in Orlando, Florida and (iii) commencing January 1, 2000, the operating performance of the industrial joint venture properties formerly owned by RMI 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 tables set forth the components of the Company's revenues and expenses and other related disclosures, as required by Statement 131, for

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the years ended December 31 (in thousands):

	2000		
	CORE PORTFOLIO	OTHER	CONSOLIDATED TOTALS
REVENUES:			
Base rents, tenant escalations and reimbursements	\$ 442,326	\$ 9,751	\$ 452,077
Equity in earnings of real estate joint ventures and service companies	---	4,383	4,383
Other income	1,212	52,266	53,478
	443,538	66,400	509,938
EXPENSES:			
Property expenses	154,930	2,526	157,456
Marketing, general and administrative	20,606	6,765	27,371
Interest	40,465	55,872	96,337
Depreciation and amortization	84,401	8,146	92,547
	300,402	73,309	373,711
Income (loss) before preferred dividends and distributions, minority interests and extraordinary loss	\$ 143,136	\$ (6,909)	\$ 136,227
Total assets	\$ 2,428,500	\$ 569,530	\$ 2,998,030

	1999			
	CORE PORTFOLIO	RMI	OTHER	CONSOLIDATED TOTALS
REVENUES:				
Base rents, tenant escalations and reimbursements	\$ 340,293	\$15,394	\$ 13,448	\$ 369,135
Equity in earnings of real estate joint ventures and service companies	--	--	2,148	2,148
Other income	448	9	31,413	31,870
	340,741	15,403	47,009	403,153
EXPENSES:				
Property expenses	119,270	2,406	4,318	125,994
Marketing, general and administrative	16,981	548	6,764	24,293
Interest	25,167	445	48,708	74,320
Depreciation and amortization	64,097	3,663	6,744	74,504
	225,515	7,062	66,534	299,111
Income (loss) before preferred				

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dividends and distributions, minority interests and extraordinary loss	\$ 115,226 =====	\$ 8,341 =====	\$ (19,525) =====	\$ 104,042 =====
Total assets	\$ 2,142,696 =====	\$ 0 =====	\$ 591,182 =====	\$ 2,733,878 =====

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

12. NON-CASH INVESTING AND FINANCING ACTIVITIES

Additional supplemental disclosures of non-cash investing and financing activities are as follows:

On May 24, 1999, in conjunction with the Tower Portfolio acquisition, the Company issued 11,694,567 shares of Class B common stock which were valued for GAAP purposes at approximately \$304.1 million and assumed approximately \$133.4 million of indebtedness for a total non cash investment of approximately \$437.5 million.

During June 1999, in connection with the sale of an office property, the Company obtained a \$1.2 million purchase money mortgage as partial consideration for the sale.

During July 1999, the Company sold its interest in a 852,000 square foot development property to RCG in exchange for a \$12.3 million note. During October 1999, the Company accepted 97 shares of preferred stock of RCG as payment of \$4.0 million of principal and interest due under the note.

During September 1999, in connection with the Matrix Sale and the first stage closing of RMI, the Company received as partial consideration for the sale \$41.5 million of common and preferred stock of KTR and approximately \$10.1 million in purchase money mortgages from Matrix. In addition, the Company was also relieved of approximately \$26.7 million of secured indebtedness.

During November 1999, the Company received approximately \$3.6 million of common stock of FrontLine as consideration for amending the FrontLine Facility and the RSVP Commitment. In May 2000, the Company contributed the common stock it received from FrontLine to RMG in exchange for 50 shares of non voting preferred stock, 97 shares of 8% preferred stock and a \$1.4 million note.

On June 20, 2000, the Company issued 4,181,818 shares of Class A common stock in exchange for four million shares of Series B preferred stock with a liquidation preference value of \$100 million.

13. COMMITMENTS AND OTHER COMMENTS

The Company has entered into employment agreements with its chairman and five executive officers. The agreements are for five years and expire on May 31, 2003.

The Company sponsors a defined contribution savings plan pursuant to section 401(k) of the Internal Revenue Code. Under such plan, there are no prior service costs. Employees are generally eligible to participate in the plan after six months of service. Employer contributions are based on a discretionary amount determined by the Company's management. During 2000 and 1999 the Company made no contributions.

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The Company had outstanding undrawn letters of credit against its Credit Facility of approximately \$51.3 million and \$52.3 million at December 31, 2000 and 1999, respectively.

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

14. QUARTERLY FINANCIAL DATA (Unaudited)

The following summary represents the Company's results of operations for each fiscal quarter during 2000 and 1999 (in thousands, except share amounts):

	2000		
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER
Total revenues	\$ 117,659	\$ 125,455	\$ 140,000
Income before preferred dividends and distributions, minority interests and extraordinary loss	\$ 28,080	\$ 35,836	\$ 43,000
Preferred dividends and distributions	(7,985)	(7,857)	(6,000)
Minority interests	(4,253)	(5,008)	(5,000)
Extraordinary loss	--	--	(1,000)
Net income available to common shareholders	\$ 15,842	\$ 22,971	\$ 29,000
Net income available to:			
Class A common shareholders	\$ 11,446	\$ 16,655	\$ 22,000
Class B common shareholders	4,396	6,316	7,000
Total	\$ 15,842	\$ 22,971	\$ 29,000
Basic net income per weighted average common share before extraordinary loss:			
Class A common shareholders	\$.28	\$.40	\$.40
Extraordinary loss per Class A common share	--	--	()
Basic net income per weighted average Class A common share	\$.28	\$.40	\$.40
Class B common shareholders	\$.43	\$.61	\$.61
Extraordinary loss per Class B common share	--	--	()
Basic net income per weighted average Class B common share	\$.43	\$.61	\$.61
Weighted average common shares outstanding:			
Class A common shareholders	40,382,182	41,343,118	45,178,000

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Class B common shareholders	10,283,598	10,283,513	10,283,
Diluted net income per weighted average common share:			
Class A common shareholders	\$.28	\$.40	\$
Class B common shareholders	\$.31	\$.44	\$
Diluted weighted average common shares outstanding:			
Class A common shareholders	40,709,045	41,700,478	49,818,
Class B common shareholders	10,283,598	10,283,513	10,283,

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

14. QUARTERLY FINANCIAL DATA (Unaudited) - (CONTINUED)

	1999		
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER
Total revenues	\$ 76,108	\$ 91,239	\$ 125,000
Income before preferred dividends and distributions, minority interests and extraordinary loss	\$ 19,774	\$ 20,626	\$ 35,000
Preferred dividends and distributions	(5,041)	(5,989)	(7,000)
Minority interests	(3,409)	(3,442)	(5,000)
Extraordinary loss	--	--	(1,000)
Net income available to common shareholders	\$ 11,324	\$ 11,195	\$ 21,000
Net income available to:			
Class A Common shareholders	\$ 11,324	\$ 9,464	\$ 15,000
Class B common shareholders	--	1,731	6,000
Total	\$ 11,324	\$ 11,195	\$ 21,000
Basic net income per weighted average common share before extraordinary loss:			
Class A common shareholders	\$.28	\$.23	\$.23
Extraordinary loss per Class A common share	--	--	(1,000)
Basic net income per weighted average Class A common share	\$.28	\$.23	\$.23
Class B common shareholders	\$ --	\$.35	\$.35
Extraordinary loss per Class B common share	--	--	(1,000)
Basic net income per weighted average Class B common share	\$ --	\$.35	\$.35

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Weighted average common shares			
outstanding:			
Class A common shareholders	40,049,079	40,284,511	40,367,
Class B common shareholders	--	4,883,446	11,456,
Diluted net income per weighted average			
common share:			
Class A common shareholders	\$.28	\$.23	\$
Class B common shareholders	\$ --	\$.24	\$
Diluted weighted average common			
shares outstanding:			
Class A common shareholders	40,450,296	40,704,147	40,796,
Class B common shareholders	--	4,883,446	11,456,

15. PRO FORMA RESULTS (unaudited)

The following unaudited pro forma operating results of the Company for the year ended December 31, 2000 have been prepared as if the property acquisitions and dispositions made during 2000 had occurred on January 1, 2000. Unaudited pro forma financial information is presented for

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RECKSON ASSOCIATES REALTY CORP. NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

15. PRO FORMA RESULTS (unaudited) - (CONTINUED)

informational purposes only and may not be indicative of what the actual results of operations of the Company would have been had the events occurred as of January 1, 2000, nor does it purport to represent the results of operations for future periods (in thousands except per share data):

Total Revenues	\$ 508,401
	=====
Income before preferred dividends and distributions, minority interests and extraordinary loss	\$ 133,403
	=====
Net income available to Class A common shareholders	\$ 53,569
	=====
Net income per Class A common share	\$ 1.24
	=====
Net income available to Class B common shareholders	\$ 19,813
	=====
Net income per Class B common share	\$ 1.93
	=====

16. OTHER INVESTMENTS AND ADVANCES

During 1997, the Company formed FrontLine (formerly Reckson Service Industries, Inc.) and 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 December 31, 2000, the Company had advanced approximately \$93.4 million under

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the FrontLine Facility. In addition, the Operating Partnership approved the funding of investments of up to \$100 million with or in 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. As of December 31, 2000, approximately \$83.2 million had been funded through the RSVP Commitment, of which \$41.1 million represents investments in RSVP-controlled (REIT-qualified) joint ventures and \$42.1 million represents advances.

In March 2001, the Company increased the RSVP Commitment to \$110 million and advanced approximately \$24 million under the RSVP Commitment to fund additional RSVP-controlled (REIT-qualified) joint ventures (unaudited).

In addition, as of December 31, 2000, the Company, through its Credit Facility, has allocated approximately \$3.2 million in outstanding undrawn letters of credit for the benefit of FrontLine. 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. Prior to maturity, interest is payable quarterly but only to the extent of net cash flow of FrontLine and on an interest-only basis. As of December 31, 2000, interest accrued under the FrontLine Facility and RSVP Commitment was approximately \$13.8 million.

During November 1999, the Board of Directors of the Company approved an amendment to the FrontLine Facility and the RSVP Commitment to permit FrontLine to incur secured debt and to pay interest thereon and to issue preferred stock and to pay dividends thereon. In consideration of the amendments, FrontLine paid the Operating Partnership a fee of approximately \$3.6 million in the form of shares of FrontLine common stock. Such fee has been recognized in income over an estimated nine month benefit period.

FrontLine currently has two distinct operating units: one of which represents its interest in HQ Global Holdings, Inc., the largest provider of flexible officing solutions in the world, and the other which represents interests in technology based partner companies. RSVP invests primarily in real estate and real estate related operating companies generally outside of the Company's core office and industrial focus.

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RECKSON ASSOCIATES REALTY CORP.
 SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION
 DECEMBER 31, 2000
 (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		
DESCRIPTION	ENCUMBRANCE	LAND	BUILDINGS AND IMPROVEMENTS	LAND
		INITIAL COST		

Vanderbilt Industrial Park,

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Hauppauge, New York (27 buildings in an industrial park)	--	\$ 1,940	\$ 9,955	--
85 Nikon Court Hauppauge, New York	--	797	2,818	--
104 Parkway Drive So., Hauppauge, New York	--	54	804	--
125 Ricefield Lane Hauppauge, New York	--	13	852	--
110 Ricefield Lane Hauppauge, New York	--	33	1,043	1
120 Ricefield Lane Hauppauge, New York	--	16	1,051	--
135 Ricefield Lane Hauppauge, New York	--	24	906	--
1997 Portfolio Acquisition, Hauppauge, New York (10 additional buildings in Vanderbilt Industrial Park)	--	930 (B)	20,619	1
425 Rabro Drive Hauppauge, New York	--	665	3,489	--
600 Old Willets Path Hauppauge, New York	--	295	3,521	--
Airport International Plaza, Islip, New York (17 buildings in an industrial park)	2,616 (C)	1,263	13,608	--
120 Wilbur Place Islip, New York	--	202	1,154	8
2004 Orville Drive North Islip, New York	--	633	4,226	--
2005 Orville Drive North Islip, New York	--	984	5,410	--
County Line Industrial Center, Melville, New York (3 buildings in an industrial park)	--	628	3,686	--
30 Hub Drive Melville, New York	--	469	1,571	--
32 Windsor Place, Islip, New York	--	32	321	--

COLUMN A	COLUMN E			COLUMN F	COL
DESCRIPTION	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD			ACCUMULATED DEPRECIATION	DA CONST
DESCRIPTION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION	DA CONST
Vanderbilt Industrial Park, Hauppauge, New York (27 buildings in an industrial park)	1,940	20,563	22,503	14,499	196
85 Nikon Court Hauppauge, New York	797	2,882	3,679	480	
104 Parkway Drive So., Hauppauge, New York	54	1,004	1,058	161	
125 Ricefield Lane Hauppauge, New York	13	1,182	1,195	296	
110 Ricefield Lane					

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Hauppauge, New York 120 Ricefield Lane	34	1,100	1,134	191	
Hauppauge, New York 135 Ricefield Lane	16	1,243	1,259	168	
Hauppauge, New York 1997 Portfolio Acquisition, Hauppauge, New York (10 additional buildings in Vanderbilt Industrial Park)	24	1,379	1,403	367	
425 Rabro Drive	931	23,688	24,619	3,445	197
Hauppauge, New York 600 Old Willets Path	665	3,560	4,225	433	
Hauppauge, New York Airport International Plaza, Islip, New York (17 buildings in an industrial park)	1,263	24,663	25,926	15,729	197
120 Wilbur Place					
Islip, New York 2004 Orville Drive North	210	1,271	1,481	116	
Islip, New York 2005 Orville Drive North	633	5,639	6,272	921	
Islip, New York County Line Industrial Center, Melville, New York (3 buildings in an industrial park)	984	6,394	7,378	387	
30 Hub Drive	628	6,509	7,137	4,636	197
Melville, New York 32 Windsor Place, Islip, New York	469	1,883	2,352	358	
	32	367	399	357	

COLUMN A	COLUMN I
DESCRIPTION	LIFE ON WHICH DEPRECIATION IS COMPUTED
Vanderbilt Industrial Park, Hauppauge, New York (27 buildings in an industrial park)	10 - 30 Years
85 Nikon Court Hauppauge, New York	10 - 30 Years
104 Parkway Drive So., Hauppauge, New York	10 - 30 Years
125 Ricefield Lane Hauppauge, New York	10 - 30 Years
110 Ricefield Lane Hauppauge, New York	10 - 30 Years
120 Ricefield Lane Hauppauge, New York	10 - 30 Years
135 Ricefield Lane Hauppauge, New York	10 - 30 Years
1997 Portfolio Acquisition, Hauppauge, New York (10 additional buildings in Vanderbilt Industrial Park)	10 - 30 Years
425 Rabro Drive Hauppauge, New York	10 - 30 Years
600 Old Willets Path Hauppauge, New York	10 - 30 Years
Airport International Plaza,	

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Islip, New York
 (17 buildings in an industrial park)..... 10 - 30 Years
 120 Wilbur Place
 Islip, New York 10 - 30 Years
 2004 Orville Drive North
 Islip, New York 10 - 30 Years
 2005 Orville Drive North
 Islip, New York 10 - 30 Years
 County Line Industrial Center,
 Melville, New York
 (3 buildings in an industrial park) 10 - 30 Years
 30 Hub Drive
 Melville, New York 10 - 30 Years
 32 Windsor Place,
 Islip, New York 10 - 30 Years

Continued

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RECKSON ASSOCIATES REALTY CORP.
 SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION
 DECEMBER 31, 2000 (CONTINUED)
 (IN THOUSANDS)

COLUMN A DESCRIPTION	COLUMN B ENCUMBRANCE	COLUMN C INITIAL COST		COLUMN D COST CAPITALIZED, SUBSEQUENT TO ACQUISITION	
		LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDINGS AND IMPROVEMENTS
42 Windsor Place Islip, New York	--	48	327	--	548
505 Walt Whitman Rd., Huntington, New York	--	140	42	--	59
1170 Northern Blvd., N. Great Neck, New York	--	30	99	--	34
50 Charles Lindbergh Blvd., Mitchel Field, New York	15,479	A	12,089	--	5,361
200 Broadhollow Road Melville, New York	6,494	338	3,354	--	3,430
48 South Service Road Melville, New York	--	1,652	10,245	--	5,108
395 North Service Road Melville, New York	20,525	A	15,551	--	7,298
6800 Jericho Turnpike Syosset, New York	14,324	582	6,566	--	9,357
6900 Jericho Turnpike Syosset, New York	7,560	385	4,228	--	3,572
300 Motor Parkway Hauppauge, New York	--	276	1,136	--	1,665
88 Duryea Road Melville, New York	--	200	1,565	--	748
210 Blydenburgh Road					

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Islandia, New York	--	11	158	--	156
208 Blydenburgh Road					
Islandia, New York	--	12	192	--	147
71 Hoffman Lane					
Islandia, New York	--	19	260	--	172
933 Motor Parkway					
Hauppauge, New York	--	106	375	--	396
65 and 85 South Service Road					
Plainview, New York	--	40	218	--	17
333 Earl Ovington Blvd., (Omni)					
Mitchel Field, New York	55,641	A	67,221	--	19,025
135 Fell Court					
Islip, New York	--	462	1,265	--	261
40 Cragwood Road					
South Plainfield, New Jersey	--	725	7,131	--	5,873
110 Marcus Drive					
Huntington, New York	--	390	1,499	--	107

COLUMN A	COLUMN E			COLUMN F	COLUMN G
	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD				
DESCRIPTION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION	DATE OF CONSTRUCTION
42 Windsor Place					
Islip, New York	48	875	923	768	1972
505 Walt Whitman Rd.,					
Huntington, New York	140	101	241	85	1950
1170 Northern Blvd.,					
N. Great Neck, New York	30	133	163	130	1947
50 Charles Lindbergh Blvd.,					
Mitchel Field, New York	--	17,450	17,450	9,985	1984
200 Broadhollow Road					
Melville, New York	338	6,784	7,122	4,087	1981
48 South Service Road					
Melville, New York	1,652	15,353	17,005	7,957	1986
395 North Service Road					
Melville, New York	--	22,849	22,849	11,974	1988
6800 Jericho Turnpike					
Syosset, New York	582	15,923	16,505	9,443	1977
6900 Jericho Turnpike					
Syosset, New York	385	7,800	8,185	4,161	1982
300 Motor Parkway					
Hauppauge, New York	276	2,801	3,077	1,510	1979
88 Duryea Road					
Melville, New York	200	2,313	2,513	1,359	1980
210 Blydenburgh Road					
Islandia, New York	11	314	325	302	1969
208 Blydenburgh Road					
Islandia, New York	12	339	351	337	1969
71 Hoffman Lane					
Islandia, New York	19	432	451	431	1970
933 Motor Parkway					
Hauppauge, New York	106	771	877	627	1973

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65 and 85 South Service Road Plainview, New York	40	235	275	226	1961
333 Earl Ovington Blvd., (Omni) Mitchel Field, New York	--	86,246	86,246	23,633	1990
135 Fell Court Islip, New York	462	1,526	1,988	381	1965
40 Cragwood Road South Plainfield, New Jersey	725	13,004	13,729	7,381	1970
110 Marcus Drive Huntington, New York	390	1,606	1,996	1,230	1980

Continued

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RECKSON ASSOCIATES REALTY CORP.
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2000 (CONTINUED)
(IN THOUSANDS)

COLUMN A ----- DESCRIPTION -----	COLUMN B ----- ENCUMBRANCE -----	COLUMN C ----- INITIAL COST -----		COLUMN D ----- COST CAPITALIZED, SUBSEQUENT TO ACQUISITION -----	
		LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDINGS AND IMPROVEMENTS
333 East Shore Road Great Neck, New York	--	A	564	--	271
310 East Shore Road Great Neck, New York	2,322	485	2,009	--	1,610
70 Schmitt Blvd. Farmingdale, New York	--	727	3,408	--	33
19 Nicholas Drive Yaphank, New York	--	160	7,399	--	6,042
1516 Motor Parkway Hauppauge, New York	--	603	6,722	--	271
125 Baylis Road Melville, New York	--	1,601	8,626	--	2,026
35 Pinelawn Road Melville, New York	--	999	7,073	--	2,165
520 Broadhollow Road Melville, New York	--	457	5,572	--	1,669
1660 Walt Whitman Road Melville, New York	--	370	5,072	--	463
70 Maxess Road Melville, New York	--	367	1,859	95	2,957
20 Melville Park Rd., Melville, New York	--	391	2,650	--	101
105 Price Parkway Farmingdale, New York	--	2,030	6,327	--	469
48 Harbor Park Drive Port Washington, New York	--	1,304	2,247	--	93
60 Charles Lindbergh Mitchel Field, New York	--	A	20,800	--	1,904

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155 White Plains Road, Tarrytown, New York	--	1,613	2,542	--	921	1
235 Main Street White Plains, New York	--	933	5,375	--	1,233	
245 Main Street White Plains, New York	--	1,235	7,284	1	806	1
505 White Plains Road Tarrytown, New York	--	210	1,332	--	271	
555 White Plains Road Tarrytown, New York	--	712	4,133	51	4,517	
560 White Plains Road Tarrytown, New York	--	1,521	8,756	--	2,011	1

DESCRIPTION	COLUMN F ACCUMULATED DEPRECIATION	COLUMN G DATE OF CONSTRUCTION	COLUMN H DATE ACQUIRED	COLUMN I LIFE ON WHICH DEPRECIATION IS COMPUTED
333 East Shore Road Great Neck, New York	582	1976	1976	10 - 30 Years
310 East Shore Road Great Neck, New York	1,773	1981	1981	10 - 30 Years
70 Schmitt Blvd. Farmingdale, New York	613	1965	1995	10 - 30 Years
19 Nicholas Drive Yaphank, New York	1,623	1989	1995	10 - 30 Years
1516 Motor Parkway Hauppauge, New York	1,245	1981	1995	10 - 30 Years
125 Baylis Road Melville, New York	1,814	1980	1995	10 - 30 Years
35 Pinelawn Road Melville, New York	1,939	1980	1995	10 - 30 Years
520 Broadhollow Road Melville, New York	1,837	1978	1995	10 - 30 Years
1660 Walt Whitman Road Melville, New York	992	1980	1995	10 - 30 Years
70 Maxess Road Melville, New York	800	1967	1995	10 - 30 Years
20 Melville Park Rd., Melville, New York	420	1965	1996	10 - 30 Years
105 Price Parkway Farmingdale, New York	1,140	1969	1996	10 - 30 Years
48 Harbor Park Drive Port Washington, New York	391	1976	1996	10 - 30 Years
60 Charles Lindbergh Mitchel Field, New York	3,945	1989	1996	10 - 30 Years
155 White Plains Road, Tarrytown, New York	523	1963	1996	10 - 30 Years
235 Main Street White Plains, New York	1,159	1974	1996	10 - 30 Years
245 Main Street White Plains, New York	1,515	1983	1996	10 - 30 Years
505 White Plains Road Tarrytown, New York	347	1974	1996	10 - 30 Years
555 White Plains Road Tarrytown, New York	2,302	1972	1996	10 - 30 Years

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560 White Plains Road
Tarrytown, New York 2,602 1980 1996 10 - 30 Years

Continued

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RECKSON ASSOCIATES REALTY CORP.
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2000 (CONTINUED)
(IN THOUSANDS)

COLUMN A ----- DESCRIPTION -----	COLUMN B ----- ENCUMBRANCE -----	COLUMN C		COLUMN D	
		INITIAL COST		COST CAPITALIZED, SUBSEQUENT TO ACQUISITION	
		LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDINGS AND IMPROVEMENTS
580 White Plains Road Tarrytown, New York	13,057	2,414	14,595	--	3,056
660 White Plains Road Tarrytown, New York	--	3,929	22,640	45	4,801
Landmark Square Stamford, Connecticut	46,974	11,603	64,466	832	27,610
110 Bi -County Blvd. Farmingdale, New York	4,043	2,342	6,665	--	187
One Eagle Rock, East Hanover, New Jersey	--	803	7,563	--	3,025
710 Bridgeport Avenue Shelton, Connecticut	--	5,405	21,620	7	719
101 JFK Expressway Short Hills, New Jersey	--	7,745	43,889	--	1,154
10 Rooney Circle West Orange, New Jersey---	--	1,302	4,615	1	425
Executive Hill Office Park West Orange, New Jersey	--	7,629	31,288	4	1,299
3 University Plaza Hackensack, New Jersey---	--	7,894	11,846	--	2,425
One Paragon Drive Montvale, New Jersey	--	2,773	9,901	--	687
150 Motor Parkway Hauppauge, New York	--	1,114	20,430	--	2,688
Reckson Executive Park Ryebrook, New York	--	18,343	55,028	--	2,168
University Square Princeton, New Jersey	--	3,288	8,888	--	419
100 Andrews Road Hicksville, New York	--	2,337	1,711	151	5,742
2 Macy Road Harrison, New York	--	642	2,131	--	66
80 Grasslands Elmsford, New York	--	1,208	6,728	--	436
65 Marcus Drive Melville, New York	--	295	1,966	56	883

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Triad V -- 1979 Marcus Rd., Lake Success, New York	--	3,528	31,786	--	7,921
100 Forge Way Rockaway, New Jersey	--	315	902	--	90

COLUMN A	COLUMN E			COLUMN F	COLUMN G
GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD					
DESCRIPTION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION	DATE OF CONSTRUCTION
580 White Plains Road Tarrytown, New York	2,414	17,651	20,065	3,515	1997
660 White Plains Road Tarrytown, New York	3,974	27,441	31,415	5,523	1983
Landmark Square Stamford, Connecticut	12,435	92,076	104,511	12,076	1973-1984
110 Bi -County Blvd. Farmingdale, New York	2,342	6,852	9,194	972	1984
One Eagle Rock, East Hanover, New Jersey	803	10,588	11,391	1,683	1986
710 Bridgeport Avenue Shelton, Connecticut	5,412	22,339	27,751	2,893	1971-1979
101 JFK Expressway Short Hills, New Jersey	7,745	45,043	52,788	5,478	1981
10 Rooney Circle West Orange, New Jersey---	1,303	5,040	6,343	699	1971
Executive Hill Office Park West Orange, New Jersey	7,633	32,587	40,220	3,968	1978-1984
3 University Plaza Hackensack, New Jersey---	7,894	14,271	22,165	1,785	1985
One Paragon Drive Montvale, New Jersey	2,773	10,588	13,361	1,320	1980
150 Motor Parkway Hauppauge, New York	1,114	23,118	24,232	2,986	1984
Reckson Executive Park Ryebrook, New York	18,343	57,196	75,539	6,192	1983-1986
University Square Princeton, New Jersey	3,288	9,307	12,595	940	1987
100 Andrews Road Hicksville, New York	2,488	7,453	9,941	1,194	1954
2 Macy Road Harrison, New York	642	2,197	2,839	234	1962
80 Grasslands Elmsford, New York	1,208	7,164	8,372	778	1989/1964
65 Marcus Drive Melville, New York	351	2,849	3,200	454	1968
Triad V -- 1979 Marcus Rd., Lake Success, New York	3,528	39,707	43,235	4,514	1987
100 Forge Way Rockaway, New Jersey	315	992	1,307	107	1986

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RECKSON ASSOCIATES REALTY CORP.
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2000 (CONTINUED)
(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D
DESCRIPTION	ENCUMBRANCE	INITIAL COST		COST CAPIT SUBSEQU ACQUISI
DESCRIPTION	ENCUMBRANCE	LAND	BUILDINGS AND IMPROVEMENTS	LAND
200 Forge Way Rockaway, New Jersey	--	1,128	3,228	--
300 Forge Way Rockaway, New Jersey	--	376	1,075	--
400 Forge Way Rockaway, New Jersey	--	1,142	3,267	--
51 - 55 Charles Lindbergh Blvd. Mitchel Field, New York	--	A	27,975	--
155 Passaic Avenue Fairfield, New Jersey	--	3 (A)	3,538	--
100 Summit Drive Valhalla, New York	21,541	3,007	41,351	--
115/117 Stevens Avenue Valhalla, New York	--	1,094	22,490	--
200 Summit Lake Drive Valhalla, New York	20,133	4,343	37,305	--
140 Grand Street White Plains, New York	--	1,932	18,744	--
500 Summit Lake Drive Valhalla, New York	--	7,052	37,309	--
99 Cherry Hill Road Parsippany, New Jersey	--	2,360	7,508	--
119 Cherry Hill Road Parsippany, New Jersey	--	2,512	7,622	--
45 Melville Park Road Melville, New York	--	355	1,487	--
500 Saw Mill River Road Elmsford, New York	--	1,542	3,796	--
120 W.45th Street New York, New York	66,103	28,757 (A)	162,809	(10)
1255 Broad Street Clifton, New Jersey	--	1,329	15,869	--
810 7th Avenue New York, New York	85,600	26,984 (A)	152,767	112
120 Mineola Blvd. Mineola, New York	--	1,869	10,603	5
100 Wall Street New York, New York	37,094	11,749	66,517	90
One Orlando Orlando, Florida	39,465	9,386	51,136	29

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COLUMN A	COLUMN E			COLUMN F	COLUMN G
GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD					
DESCRIPTION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION	DATE OF CONSTRUCTION
200 Forge Way Rockaway, New Jersey	1,128	3,406	4,534	342	1989
300 Forge Way Rockaway, New Jersey	376	1,329	1,705	176	1989
400 Forge Way Rockaway, New Jersey	1,142	3,446	4,588	346	1989
51 - 55 Charles Lindbergh Blvd. Mitchel Field, New York	--	32,233	32,233	4,495	1981
155 Passaic Avenue Fairfield, New Jersey	3	5,664	5,667	623	1984
100 Summit Drive Valhalla, New York	3,007	45,491	48,498	4,441	1988
115/117 Stevens Avenue Valhalla, New York	1,094	23,223	24,317	2,128	1984
200 Summit Lake Drive Valhalla, New York	4,343	39,266	43,609	3,493	1990
140 Grand Street White Plains, New York	1,932	19,053	20,985	1,746	1991
500 Summit Lake Drive Valhalla, New York	7,052	45,103	52,155	3,569	1986
99 Cherry Hill Road Parsippany, New Jersey	2,360	7,881	10,241	676	1982
119 Cherry Hill Road Parsippany, New Jersey	2,512	8,501	11,013	706	1982
45 Melville Park Road Melville, New York	355	3,309	3,664	407	1998
500 Saw Mill River Road Elmsford, New York	1,542	3,981	5,523	399	1968
120 W.45th Street New York, New York	28,747	164,046	192,793	9,065	1998
1255 Broad Street Clifton, New Jersey	1,329	19,845	21,174	1,057	1999
810 7th Avenue New York, New York	27,096	161,922	189,018	8,785	1970
120 Mineola Blvd. Mineola, New York	1,874	10,859	12,733	608	1977
100 Wall Street New York, New York	11,839	71,085	82,924	3,845	1969
One Orlando Orlando, Florida	9,415	52,775	62,190	2,770	1987

Continued

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RECKSON ASSOCIATES REALTY CORP.
 SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION
 DECEMBER 31, 2000 (CONTINUED)
 (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	
DESCRIPTION	ENCUMBRANCE	INITIAL COST		COST CAPITALIZED	COST CAPITALIZED
		LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDINGS AND IMPROVEMENTS
1350 Avenue of the Americas New York, New York	70,000	19,222	109,168	--	--
919 3rd. Avenue New York, New York	200,000	101,644 (A)	205,736	--	--
538 Broadhollow Road Melville, New York	--	3,900	21,413	--	--
360 Hamilton Avenue White Plains, New York (D)	--	2,838	34,606	--	--
492 River Road Nutley, New Jersey	--	2,615	5,102	--	--
275 Broadhollow Road Melville, New York	--	3,850	12,958	--	--
400 Garden City Plaza Garden City, New York	--	9,081	17,004	--	--
90 Merrick Avenue East Meadow, New York	--	(A)	23,804	--	--
120 White Plains Road Tarrytown, New York	--	3,852	24,861	--	--
100 White Plains Road Tarrytown, New York	--	79	472	--	--
51 JFK Parkway Short Hills, New Jersey	--	10,053	62,504	1	1
680 Washington Blvd Stamford, Connecticut	--	4,561	23,698	--	--
750 Washington Blvd Stamford, Connecticut	--	7,527	31,940	--	--
1305 Walt Whitman Road Melville, New York	--	3,934	24,040	--	--
Land held for development	--	60,823	--	--	--
Developments in progress	--	--	77,076	--	--
Other property	--	--	--	--	--
Total	\$728,971	\$ 455,920	\$2,037,742	\$1,480	\$1,480
	=====	=====	=====	=====	=====

COLUMN A	COLUMN E	COLUMN F	COLUMN G
GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD			

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DESCRIPTION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION	CONS
1350 Avenue of the Americas New York, New York	19,222	115,310	134,532	3,500	1
919 3rd. Avenue New York, New York	101,644	206,052	307,696	1,085	1
538 Broadhollow Road Melville, New York	3,900	22,280	26,180	239	2
360 Hamilton Avenue White Plains, New York (D)	2,838	53,654	56,492	1,494	2
492 River Road Nutley, New Jersey	2,615	6,627	9,242	38	2
275 Broadhollow Road Melville, New York	3,850	12,959	16,809	896	1
400 Garden City Plaza Garden City, New York	9,081	17,073	26,154	811	1
90 Merrick Avenue East Meadow, New York	--	23,823	23,823	3,393	1
120 White Plains Road Tarrytown, New York	3,852	24,877	28,729	1,401	1
100 White Plains Road Tarrytown, New York	79	479	558	5	1
51 JFK Parkway Short Hills, New Jersey	10,054	62,619	72,673	3,201	1
680 Washington Blvd Stamford, Connecticut	4,561	23,704	28,265	1,143	1
750 Washington Blvd Stamford, Connecticut	7,527	31,963	39,490	1,482	1
1305 Walt Whitman Road Melville, New York	3,934	24,044	27,978	959	1
Land held for development	60,823	--	60,823	--	
Developments in progress	--	77,076	77,076	--	
Other property	--	9,777 (B)	9,777	1,209	
Total	\$457,400	\$2,313,207	\$2,770,607	\$284,315	

COLUMN A DESCRIPTION	COLUMN I LIFE ON WHICH DEPRECIATION IS COMPUTED
1350 Avenue of the Americas New York, New York	10 - 30 Years
919 3rd. Avenue New York, New York	10 - 30 Years
538 Broadhollow Road Melville, New York	10 - 30 Years
360 Hamilton Avenue White Plains, New York (D)	10 - 30 Years
492 River Road Nutley, New Jersey	10 - 30 Years
275 Broadhollow Road Melville, New York	10 - 30 Years
400 Garden City Plaza	

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Garden City, New York	10 - 30 Years
90 Merrick Avenue	
East Meadow, New York	10 - 30 Years
120 White Plains Road	
Tarrytown, New York	10 - 30 Years
100 White Plains Road	
Tarrytown, New York	10 - 30 Years
51 JFK Parkway	
Short Hills, New Jersey	10 - 30 Years
680 Washington Blvd	
Stamford, Connecticut	10 - 30 Years
750 Washington Blvd	
Stamford, Connecticut	10 - 30 Years
1305 Walt Whitman Road	
Melville, New York	10 - 30 Years
Land held for development	N/A
Developments in progress	
Other property	
Total	

A These land parcels, or a portion of the land parcels, on which the building and improvements were constructed are subject to a ground lease.

B The land parcel on which the building and improvements were constructed for one property is subject to a ground lease.

C The Encumbrance of \$2,616 is related to one property.

D As of December 31, 2000, this property was partially under development. As a result, certain costs have been classified as development costs on the Company's accompanying balance sheet.

The aggregate cost of Federal Income Tax purposes was approximately \$ 2,169 million at December 31, 2000.

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RECKSON ASSOCIATES REALTY CORP.
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION
(IN THOUSANDS)

The changes in real estate for each of the periods in the three years ended December 31, 2000 are as follows:

	2000	1999	1998
	-----	-----	-----
Real estate balance at beginning of period	2,208,399	1,737,133	\$1,011,22
Improvements / revaluations	166,260	57,571	134,58
Disposal, including write-off of fully depreciated building improvements	(52,092)	(317,864)	-
Acquisitions	448,040	731,559	591,32
	-----	-----	-----
Balance at end of period	\$2,770,607	2,208,399	1,737,13
	=====	=====	=====

The change in accumulated depreciation, exclusive of amounts relating to equipment, autos, furniture and fixtures, for each of the periods in the three

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years ended December 31, 2000 are as follows:

	2000	1999	1998
	-----	-----	-----
Balance at beginning of period	\$215,112	156,231	\$108,652
Depreciation for period	71,478	65,471	47,579
Disposal, including write-off of fully depreciated building improvements	(2,275)	(6,590)	--
	-----	-----	-----
Balance at end of period	\$284,315	\$215,112	\$156,231
	=====	=====	=====

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