UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

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 1-13274

Cali Realty Corporation
(Exact name of registrant as specified in its charter)

Maryland	22-3305147
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

11 Commerce Drive, Cranford, New Jersey 07016-3501
(Address of principal executive office)
(Zip Code)

(908) 272-8000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

There were 18,772,337 shares of $.01 par value common stock outstanding at October 29, 1996.

CALI REALTY CORPORATION

Form 10-Q

INDEX

Part I - Financial Information

Item 1. Financial Statements

Consolidated Balance Sheets as of September 30, 1996 and December 31, 1995

Consolidated Statements of Operations for the three and nine month periods ended September 30, 1996 and 1995

Consolidated Statements of Cash Flows for the nine months ended September 30, 1996 and 1995

Consolidated Statement of Stockholders' Equity for the nine months ended September 30, 1996

Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Part II -Other Information and Signatures

Item 1. Signatures

CALI REALTY CORPORATION

Part I - Financial Information

Item 1 Financial Statements

The information furnished in the accompanying consolidated balance sheets, statements of operations, of cash flows, and of stockholders' equity reflect all adjustments consisting of normal, recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the aforementioned financial statements for the interim periods.

The aforementioned financial statements should be read in conjunction with the notes to the aforementioned financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.

The results of operations for the three and nine month periods ended September 30, 1996 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (in thousands, except per share amounts)

	September 30, 1996	December 31, 1995
ASSETS		
Rental property		
Land	$ 47,723	$ 38,962
Buildings and improvements	357,221	319,028
Tenant improvements	34,733	28,588
Furniture, fixtures and equipment	1,113	1,097
	440,790	387,675
Less - accumulated depreciation and amortization	(64,322)	(59,095)
Total rental property	376,468	328,580
Cash and cash equivalents	10,351	967
Unbilled rents receivable	18,959	18,855
Deferred charges and other assets, net of accumulated amortization	11,935	10,873
Restricted cash	2,650	3,229
Accounts receivable, net of allowance for doubtful accounts of $141 and $134	1,422	1,341
Other receivables	54	104
Total assets	$ 421,839	$ 363,949
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgages and loans payable	$ 112,856	$ 135,464
Dividends and distributions payable	9,615	7,606
Accounts payable and accrued expenses	3,492	3,245

Rents received in advance and security deposits	3,819	3,114
Accrued interest payable	349	629
	---------	---------
Total liabilities	130,131	150,058
	---------	---------
Minority interest of unitholders in Operating Partnership	27,375	28,083
	---------	---------
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, authorized 5,000,000 shares, none issued		
Common stock, $.01 par value, 95,000,000 shares authorized, 18,661,404 shares and 15,104,725 shares outstanding	187	151
Additional paid-in capital	263,690	185,657
Retained earnings	456	--
	---------	---------
Total stockholders' equity	264,333	185,808
	---------	---------
Total liabilities and stockholders' equity	$ 421,839	$ 363,949
	=========	=========

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The accompanying notes are an integral part of these consolidated financial statements.

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CALI REALTY CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
REVENUES				
Base rents	$ 18,438	$ 12,999	$ 51,713	$ 36,438
Escalations and recoveries from tenants	3,414	2,422	9,646	6,957
Parking and other	538	289	1,453	1,161
Interest income	128	67	282	243
	--------	--------	--------	--------
Total revenues	22,518	15,777	63,094	44,799
	--------	--------	--------	--------
EXPENSES				
Real estate taxes	2,188	1,483	6,342	4,234
Utilities	2,222	1,814	5,965	4,650
Operating services	2,625	2,084	7,952	5,908
General and administrative	1,371	856	3,427	2,790
Depreciation and amortization	3,747	3,009	10,655	8,936

Interest expense	2,721	2,347	8,288	6,161
Total expenses	14,874	11,593	42,629	32,679
Income before gain on sale of rental property, minority interest and extraordinary item	7,644	4,184	20,465	12,120
Gain on sale of rental property	--	--	5,658	--
Income before minority interest and extraordinary item	7,644	4,184	26,123	12,120
Minority interest	1,045	911	3,866	2,620
Income before extraordinary item	6,599	3,273	22,257	9,500
Extraordinary item-loss on early retirement of debt (net of minority interest's share of $86)	--	--	475	--
Net income	$ 6,599	$ 3,273	$ 21,782	$ 9,500
Net income per common share:				
Income before extraordinary item-loss on early retirement of debt	$ 0.39	$ 0.31	$ 1.41	$ 0.91
Extraordinary item-loss on early retirement of debt	--	--	(0.03)	--
Net income	$ 0.39	$ 0.31	$ 1.38	$ 0.91
Dividends declared per common share	$ 0.45	$ 0.43	$ 1.30	$ 1.23
Weighted average common shares outstanding	17,045	10,400	15,803	10,424

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The accompanying notes are an integral part of these consolidated financial statements.

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CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Nine Months Ended September 30,	
	1996	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 21,782	$ 9,500
Adjustments to reconcile net income to net cash flows provided by operating activities		
Depreciation and amortization	10,655	8,936
Gain on sale of rental property	(5,658)	--
Minority interest	3,866	2,620
Extraordinary item-loss on early retirement of debt	475	

--

Changes in operating assets and liabilities		
Increase in unbilled rents receivable	(233)	(466)
Increase in deferred charges and other assets, net	(3,567)	(1,684)
Increase in accounts receivable, net	(81)	(15)
Decrease in other receivables	50	218
Increase (decrease) in accounts payable and accrued expenses	247	(140)
Increase in rents received in advance and security deposits	705	803
(Decrease) increase in accrued interest payable	(280)	260
Net cash provided by operating activities	27,961	20,032
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to rental property	(60,836)	(29,114)
Proceeds from sale of rental property	10,324	--
Decrease (increase) in restricted cash	579	(962)
Net cash used in investing activities	(49,933)	(30,076)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgages and loans payable	125,900	28,700
Repayments of mortgages and loans payable	(148,508)	(6,700)
Debt prepayment premiums and other costs	(312)	--
Purchase of treasury stock	--	(1,595)
Proceeds from common stock offering	76,830	--
Proceeds from stock options exercised	260	--
Payment of dividends and distributions	(22,814)	(16,084)
Net cash provided by financing activities	31,356	4,321
Net increase (decrease) in cash and cash equivalents	9,384	(5,723)
Cash and cash equivalents, beginning of period	967	6,394
Cash and cash equivalents, end of period	$ 10,351	$ 671
Supplemental Cash Flow Information:		
Cash paid for interest	$ 8,665	$ 5,901
Interest capitalized	$ 97	$ --

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The accompanying notes are an integral part of these consolidated financial statements.

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CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (in thousands)

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance at January 1, 1996	15,105	$ 151	$ 185,657	--	$ 185,808
Conversions of 92 Units to shares	92	1	978	--	979
Net income	--	--	--	21,782	21,782
Dividends	--	--	--	(21,326)	(21,326)
Common stock offering	3,450	35	76,795	--	76,830
Stock options exercised	14	--	260	--	260
Balance at September 30, 1996	18,661	$ 187	$ 263,690	$ 456	$ 264,333

The accompanying notes are an integral part of these consolidated financial statements.

CALI REALTY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Cali Realty Corporation and subsidiaries (the "Company"), a Maryland corporation, is a fully integrated, self-administered, self-managed real estate investment trust (REIT) providing leasing, management, acquisition, development, construction and tenant- related services for its properties. As of September 30, 1996, the Company owned and operated 45 properties, consisting of 44 office and office/flex buildings totaling approximately 4.3 million square feet and a 327-unit residential complex (the "Properties"). The Properties are located in New Jersey, New York, and Pennsylvania.

The Company was incorporated on May 24, 1994 and commenced operations on August 31, 1994. On August 31, 1994, the Company completed an initial public offering and effected a business combination with the Cali Group (not a legal entity). The Company raised (net of offering costs) approximately $165,518 of capital through an initial public offering of 10,500,000 shares of common stock, and used the proceeds to acquire a 78.94 percent interest in Cali Realty, L.P. (the "Operating Partnership") and related entities, which are the successors to the operations of the Cali Group. Prior to the completion of the business combination with the Company, the Cali Group was engaged in development, ownership and operation of a portfolio of twelve office buildings and one multi-family residential property, all located in New Jersey (the "Initial Properties").

In 1994 and 1995, following the Company's initial public offering, the Company acquired 28 office and office/flex properties totaling 1,723,000 square feet for approximately $157,000. These properties are all located in New Jersey and New York.

On March 20, 1996, the Company sold its office building located at 15 Essex Road in Paramus, New Jersey ("Essex Road") and concurrently acquired a 95,000 square foot office building at 103 Carnegie Center in Princeton, New Jersey. The concurrent transactions qualified as a tax-free exchange, as the Company used substantially all of the proceeds from the sale of Essex Road to acquire the Princeton property. The financial statements for the nine months ended September 30, 1996 include a gain of $5,658 relating to this transaction.

In advance of the sale of Essex Road, on March 12, 1996, the Company prepaid $5,492 of the Mortgage Financing (Note 5) and obtained a release of the mortgage liens on the property. On account of prepayment penalties, loan origination fees, legal fees and other costs incurred in the retirement of the debt, an extraordinary loss of $475, net of minority interest's share of the loss ($86),

was recorded for the nine months ended September 30, 1996.

On May 2, 1996, the Company acquired Rose Tree Corporate Center, a two-building suburban office complex totaling approximately 260,000 square feet, located in Media, Pennsylvania, for approximately $28,100, which was drawn on one of the Company's credit facilities.
On July 23, 1996, the Company acquired 222 and 233 Mount Airy Road, two suburban office buildings totaling approximately 115,000 square feet, located in Basking Ridge, New Jersey, for approximately $10,500 which was drawn on one of the Company's credit facilities.

On November 4, 1996, the Company acquired the Harborside Financial Center, a three-building office complex totaling approximately 1,887,000 square feet of office and retail space, located on the Hudson River waterfront in Jersey City, New Jersey ("Harborside"). As part of the purchase, the Company acquired 11.3 acres of land fully-zoned and permitted for an additional 4.1 million square feet of development and the water rights associated with 27.4 acres of land extending into the Hudson River immediately east of the existing property, including two piers with an area of 5.8 acres. The acquisition cost for Harborside of approximately $287,400 was financed with mortgage debt of $150,000 and with cash of $137,400 which was made available substantially through the Company's revolving credit facilities (including a new credit facility described below). The $150,000 debt is comprised of the following: (1) assumption of the existing mortgage financing on the property of $107,912, which has a fixed annual interest rate of 7.32 percent and a term of nine years, and (2) a $42,088 mortgage provided by the seller with an annual interest rate comparable with the current three-year treasury rate and a spread of 90 basis point, which is 6.99 percent, (the rate being adjusted at the end of the third and sixth years based on the comparable treasury rates at those times, with spreads of 110 basis points in years four through six, and 130 basis points in years seven through maturity). In connection with the acquisition of Harborside, the Company obtained an additional revolving credit facility from Prudential Securities Credit Corp. ("PSC") totaling $80,000, which bears interest at the one-month London Inter-Bank Transfer Rate (LIBOR) plus 125 basis points, and matures on January 15, 1998, unless the Company or the lender elects to extend the maturity date to not earlier than June 30, 1998, or the facility is refinanced prior to such date, at the election of either the Company or the lender. The Company drew on this credit facility and on a previously existing facility to fund a substantial amount of the cash portion of the Harborside acquisition cost. The terms of the acquisition of the vacant parcels at Harborside provide for additional payments (with an estimated net present value of approximately $5,252) to be made to the seller for development rights if and when the Company commences construction on the site during the next several years. However, the agreement provides, among other things, that even if the Company does not commence construction, the seller may nevertheless require the Company to acquire these rights during the six-month period after the end of the sixth year. After such period, the seller's option lapses, but any development in years 7 through 30 will require a payment, on an increasing scale, for the development rights.

The Company also intends to acquire through three individual transactions with separate, unrelated sellers, a three-building office complex, a two-building office complex and an individual office building (the "Proposed Acquisitions"). The total aggregate initial acquisition cost of the Proposed Acquisitions is estimated to be approximately $90,600.

The Proposed Acquisitions consist of the following:

(1) The International Court at Airport Business Center is a three-building office complex comprised of approximately 370,000 square feet located in Lester, Delaware County, Pennsylvania, to be acquired for approximately $43,000.

(2) Whiteweld Centre is a three-story, approximately 230,000 net rentable square foot office building located in Woodcliff Lake, Bergen County, New Jersey, to be acquired for approximately $35,200.

(3) Five Sentry Parkway East & West is a two-building office complex comprised of approximately 131,000 net rentable square feet located in Plymouth Meeting, Montgomery County, Pennsylvania, to be acquired for approximately $12,400.

Basis of Presentation

The accompanying consolidated financial statements include all accounts of the Company and its majority-owned subsidiaries, which consist principally of the Operating Partnership. The Company's investment in Cali Services, Inc. (an entity formed to provide third party management services in which the Operating Partnership has a 99 percent interest) is accounted for under the equity method.

All significant intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and

the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES

Rental Property

Rental properties are stated at cost less accumulated depreciation. Costs include interest, property taxes, insurance and other project costs incurred during the period of construction. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments are capitalized and depreciated over their estimated useful lives. Fully depreciated assets are removed from the accounts. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	39 to 40 years
Tenant improvements	The shorter of the term of the related lease or useful lives
Furniture, fixtures and equipment	5 to 10 years

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. Management does not believe that the value of any of its real estate properties are impaired.

Deferred Financing Costs

Costs incurred in obtaining financing are capitalized and amortized on a straight-line basis, which approximates the effective interest method, over the term of the related indebtedness. Amortization of such costs were $278 and $362 for the three month periods ended September 30, 1996 and 1995, respectively, and $805 and $1,239 for the nine month periods ended September 30, 1996 and 1995, respectively.

Deferred Leasing Costs

Costs incurred in connection with leases are capitalized and amortized on a straight-line basis over the terms of the related leases. Unamortized deferred leasing costs are charged to amortization expense upon early termination of the lease.

Revenue Recognition

The Company recognizes base rental revenue on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Parking revenue includes income from parking spaces leased to tenants.

Rental income on residential property under operating leases having terms generally of one year or less is recognized when earned.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Income and Other Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Code. As a REIT, the Company will not be subject to federal income tax to the extent it distributes at least 95 percent of its REIT taxable income to its shareholders. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. The Company may be subject to certain state and local taxes.

Net Income Per Share

Net income per share is computed using the weighted average common shares outstanding during the period. The weighted average shares outstanding during the three month periods ended September 30, 1996 and 1995 were 17,045,063 and 10,400,000 respectively, and the nine month periods ended September 30, 1996 and 1995 were 15,802,573 and 10,424,000, respectively. The assumed exercise of outstanding stock options using the Treasury Stock method is not considered dilutive in any period.

Dividends and Distributions Payable

The dividends and distributions payable at September 30, 1996 represent dividends payable to shareholders of record on October 3, 1996 (18,667,737 shares) and distributions payable to minority interest unitholders (2,699,002 Units) on that same date. The third quarter dividends and distributions of $0.45 per share and per Unit were approved by the Board of Directors on September 20, 1996 and were paid on October 18, 1996.

3. RESTRICTED CASH

Restricted cash includes security deposits for the residential property, and escrow and reserve funds for debt service, real estate taxes, property insurance, capital improvements, tenant improvements, and leasing costs established pursuant to certain mortgage financing arrangements and is comprised of the following:

<TABLE>
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<S>	September 30, 1996 <C>	December 31, 1995 <C>
Escrow and other reserve funds	$2,304	$2,901
Residential security deposits	346	328
Total restricted cash	$2,650	$3,229

</TABLE>

4. DEFERRED CHARGES AND OTHER ASSETS

<TABLE>
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<S>	September 30, 1996 <C>	December 31, 1995 <C>
Deferred leasing costs	$ 14,250	$ 13,498
Deferred financing costs	5,347	5,778
	19,597	19,276
Accumulated amortization	(9,075)	(9,035)
Deferred charges, net	10,522	10,241
Prepaid expenses and other assets	1,413	632
Total deferred charges and other assets	$ 11,935	$ 10,873

</TABLE>

5. MORTGAGES AND LOANS PAYABLE

<TABLE>
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<S>	September 30, 1996 <C>	December 31, 1995 <C>
Mortgage Financing [a]	$ 64,508	$ 70,000
Fair Lawn Property Loan [b]	18,543	18,764
Initial Credit Facility [c]	6,000	46,700
Additional Credit Facility [d]	23,805	--
Total mortgages and loans payable	$112,856	$135,464

</TABLE>

[a] Concurrent with the Company's initial public offering, the Company's initial operating subsidiaries, which own the Initial Properties, issued five-year mortgage notes with an aggregate principal balance of $144,500 secured and cross-collateralized by the Initial Properties to an affiliate ("PSI") of Prudential Securities Inc. PSI then issued commercial mortgage pay-through bonds ("Bonds") collateralized by the mortgage notes. Bonds with an aggregate principal balance of $70,000 were purchased by unrelated third parties. Bonds with an aggregate principal balance of $74,500 were purchased by the Company. As a result, the Company's initial mortgage financing was $70,000 (the "Mortgage Financing"). Approximately $38,000 of the $70,000 is guaranteed under certain conditions by certain partners of the partnerships which owned the Initial Properties. The Mortgage Financing requires monthly payments of interest only, with all principal and any accrued but unpaid interest due in August 1999. $46,000 of the $70,000 Mortgage Financing bears interest at a net cost to the Company equal to a fixed rate of 8.02 percent per annum and the remaining $24,000 bears interest at a net cost to the Company equal to a floating rate of 100 basis points over one-month LIBOR with a lifetime interest rate cap of 11.6 percent.

In advance of the sale of Essex Road, on March 12, 1996, the Company

prepaid $5,492 ($1,687-fixed rate, $3,805-floating rate debt) of the Mortgage Financing, resulting in outstanding balances of $44,313 for the 8.02 percent fixed rate debt and $20,195 for the floating rate debt.

[b] In connection with the acquisition of an office building in Fair Lawn, New Jersey on March 3, 1995, the Company assumed an $18,764 non-recourse mortgage loan ("Fair Lawn Property Loan") bearing interest at a fixed rate of 8.25 percent per annum. The loan requires payment of interest only through March 15, 1996 and payment of principal and interest thereafter, on a 20-year amortization schedule, with the remaining principal balance due October 1, 2003. For the nine months ended September 30, 1996, the Company has paid $221 for amortization of the principal on the Fair Lawn Property Loan.

[c] The Company has a $70,000 revolving credit facility (the "Initial Credit Facility"), which may be used to fund acquisitions and new development projects and for general working capital purposes, including capital expenditures and tenant improvements. In connection with the Mortgage Financing, the Company obtained a $6,005 letter of credit, secured by the Initial Credit Facility, to meet certain tenant improvement and capital expenditure reserve requirements. The Initial Credit Facility bore interest at a floating rate equal to 150 basis points over one-month LIBOR for January 1, 1996 through August 31, 1996. Effective September 1, 1996, the interest rate was reduced to a floating rate equal to 125 basis points over one-month LIBOR. The Initial Credit Facility is a recourse liability of the Operating Partnership and is secured by a pledge of the $74,500 Bonds held by the Company. The Initial Credit Facility requires monthly payments of interest only, with outstanding advances and any accrued but unpaid interest due August 31, 1997 and is subject to renewal at the lender's sole discretion. The Initial Credit Facility also requires a fee equal to one quarter of one percent of the unused balance payable quarterly in arrears. On November 4, 1996, the Company drew an additional $51,513 on the Initial Credit Facility in connection with the acquisition of Harborside.

[d] On February 1, 1996, the Company obtained an additional credit facility (the "Additional Credit Facility") secured by certain of its properties in the amount of $75,000 from two participating banks. The Additional Credit Facility has a three-year term and bears interest at 150 basis points over one-month LIBOR. The terms of the Additional Credit Facility include certain restrictions and covenants which limit, among other things, dividend payments and additional indebtedness and which require compliance with specified financial ratios and other financial measurements. The Additional Credit Facility also requires a fee equal to one quarter of one percent of the unused balance payable quarterly in arrears.

In connection with the acquisition of Harborside, the Company obtained a new revolving credit facility ("New Credit Facility") from PSC totaling $80,000, which bears interest at 125 basis points over one-month LIBOR and matures on January 15, 1998, unless the Company or PSC elects to extend the maturity date to not earlier than June 30, 1998, or the facility is refinanced prior to such date at the election of either the Company or PSC. PSC has full recourse to the assets of the Company with respect to outstanding borrowings under the New Credit Facility. In addition, the New Credit Facility is secured by the Company's equity interest in Harborside. The terms of the New Credit Facility include certain restrictions and covenants that limit, among other things, dividend payments and additional indebtedness and that require compliance with specified financial ratios and other financial measurements. The Company drew $80,000 from the New Credit Facility on November 4, 1996, in connection with the acquisition of Harborside.

In addition, on November 4, 1996, the Company assumed existing debt and provided seller-mortgage debt aggregating $150 million (as more fully described in the Harborside discussion in Note 1.)

Interest Rate Swap Agreements:

On May 24, 1995, the Company entered into an interest rate swap agreement with a commercial bank. The swap agreement fixes the Company's one-month LIBOR base to a fixed 6.285 percent per annum on a notional amount of $24,000 through August 1999.
On January 23, 1996, the Company entered into an interest rate swap agreement with one of the participating banks in its Additional Credit Facility. The swap agreement has a three-year term and a notional amount of $26,000, which fixes the Company's one-month LIBOR base to 5.265 percent on its floating rate credit facilities.

The Company is exposed to credit loss in the event of non-performance by the other parties to the interest rate swap agreements. However, the Company does not anticipate non-performance by either counterparty.

6. MINORITY INTEREST

In conjunction with the Company's initial public offering, individuals contributing interests to the Operating Partnership had the right to elect

either to receive common stock of the Company or Units. A Unit and a share of common stock of the Company have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Operating Partnership. Minority interest in the accompanying consolidated financial statements relates to Units held by parties other than the Company.

Beginning one year after the closing of the Company's initial public stock offering (which occurred on August 31, 1994), certain Units are able to be redeemed by the unitholders at their option on the basis of one Unit for either one share of common stock or cash equal to the fair market value of a share at the time of the redemption. The Company has the option to deliver shares of common stock in exchange for all or any portion of the cash requested. When a unitholder redeems a Unit, minority interest is reduced and the Company's investment in the Operating Partnership is increased. During the nine months ended September 30, 1996, 91,614 Units were redeemed for common stock of the Company.

7. RELATED PARTY TRANSACTIONS

Certain employees of the Operating Partnership provide leasing services to the Properties and receive fees as compensation ranging from 0.667 to 2.667 percent of adjusted rents. For the three and nine month periods ended September 30, 1996, such fees, which are capitalized and amortized, approximated $225 and $417, respectively.

8. SIGNIFICANT TENANT

At December 31, 1995, Donaldson, Lufkin, and Jenrette Securities Corporation ("DLJ") leased approximately 55 percent of the space in the Company's 95 Christopher Columbus Drive, Jersey City, New Jersey property. On April 9, 1996, DLJ signed a lease with the Company for an additional 73,200 square feet of space ("DLJ Expansion"), increasing its occupancy to approximately 66 percent of the property.
Total rental income from DLJ, including escalations and recoveries, for the three and nine month periods ending September 30, 1996 and 1995 were as follows:

Three Months Ended September 30,		Nine Months Ended September 30,	
1996	1995	1996	1995
$2,982	$2,489	$7,965	$7,329

At September 30, 1996 and December 31, 1995, unbilled rents receivable included $12,692 and $12,164, respectively, from DLJ.
STOCK OPTION PLAN

In 1994, and as amended on May 13, 1996, the Company established the Employee Stock Option Plan ("Employee Plan") and the Director Stock Option Plan ("Directors Plan") under which a total of 1,880,188 (subject to adjustment) of the Company's shares of common stock have been reserved for issuance (1,780,188 shares under the Employee Plan and 100,000 under the Director Plan). Options granted under the Employee Plan generally become exercisable over a three to five year period, while options under the Directors Plan become exercisable in one year. All options were granted at not less than fair market value at the dates of grant and have a term of ten years.

Information regarding the Company's stock option plans is summarized below:
<TABLE>
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Shares under option:	Employee Stock Option Plan	Director Stock Option Plan
<S>	<C>	<C>
Granted on August 31, 1994 at $17.25 per share	600,000	25,000
Outstanding at December 31, 1994	600,000	25,000
Granted at $15.25-$19.875 per share	220,200	10,000
Less--		
Lapsed or canceled	(3,588)	--
Outstanding at December 31, 1995 $15.25 - $19.875 per share	816,612	35,000
Granted at $21.50 per share	361,750	--
Less--		
Lapsed or canceled	(4,447)	--
Exercised at $17.25 per share	(1,143)	(5,000)
Outstanding at March 31, 1996 $15.25 - $21.50 per share	1,172,772	30,000

Granted at $21.50 per share	--	14,000
Less--		
Lapsed or canceled	(380)	--
Exercised at $17.25 per share	(3,879)	--
Outstanding at June 30, 1996 $15.25-$21.50 per share	1,168,513	44,000
Granted at $25.25 per share	58,950	--
Less--		
Lapsed or canceled	(500)	--
Exercised at $17.25 per share	(43)	(5,000)
Outstanding at September 30, 1996 $15.25-$25.25 per share	1,226,920	39,000
Exercisable at September 30, 1996	467,203	25,000
Available for grant at December 31, 1995	463,576	15,000
Available for grant at September 30, 1996	548,203	51,000

</TABLE>

On October 24, 1996 the Company granted 125,000 stock options each to Thomas A. Rizk, Chief Executive Office, John R. Cali, Chief Administrative Officer, and Brant Cali, Chief Operating Officer at $26.25 per share, under the Company's Employee Stock Option Plan. The options become exercisable over five years beginning December 31, 1996 and have a term of ten years.

10. EMPLOYEE BENEFIT PLAN

All employees of the Company who meet certain minimum age and period of service requirements are eligible to participate in a Section 401(k) plan (the "Plan") as defined by the Internal Revenue Code. The Plan allows eligible employees to defer up to 15 percent of their annual compensation. The amounts contributed by employees are immediately vested and non-forfeitable. The Company, at management's discretion, may match employee contributions. No employer contributions have been made to date.

11. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of the Mortgage Financing, the Company is required to escrow $143 per month for tenant improvements and leasing commissions and $53 per month for capital improvements.

Pursuant to an agreement with the City of Jersey City, New Jersey expiring in 2009, the Company is required to make payments in lieu of property taxes ("PILOT") on its property in Jersey City. Such PILOT is determined based on the greater of two percent of the property cost, as defined, or $1,131 per annum, through 1999 and 2.5 percent, or $1,414 per annum, through 2004.

12. TENANT LEASES

The Properties are leased to tenants under operating leases with various expiration dates through 2011. Substantially all of the leases provide for annual base rents plus recoveries and escalation charges based upon the tenant's proportionate share of and/or increases in real estate taxes and certain operating costs as defined and the pass through of charges for electrical usage.

13. STOCKHOLDERS' EQUITY

To maintain its qualification as a REIT, not more than 50 percent in value of the outstanding shares of the Company may be owned, directly or indirectly, by five or fewer individuals (defined to include certain entities), applying certain constructive ownership rules. To help ensure that the Company will not fail this test, the Company's Articles of Incorporation provide for, among other things, certain restrictions on the transfer of the common stock to prevent further concentration of stock ownership. Moreover, to evidence compliance with these requirements, the Company must maintain records that disclose the actual ownership of its outstanding common stock and will demand written statements each year from the holders of record of designated percentages of its common stock requesting the disclosure of the beneficial owners of such common stock.
On March 7, 1995, the Board of Directors authorized the Company to purchase up to 100,000 shares of its outstanding common stock so that the total number of shares and Units may be reduced to approximately 13,300,000. On March 8, 1995, the Company purchased, for constructive retirement, 100,000 shares of its outstanding common stock for $1,595. The excess of the purchase price over par value was recorded as a reduction to additional paid-in capital. Concurrent with this purchase, the Company sold to the Operating Partnership 100,000 Units for $1,595.

On November 6, 1995, the Company completed a second public offering of 4,000,000 shares of its common stock at $19.50 per share (the "Second Offering"). Net

proceeds to the Company after the underwriting discounts and other offering costs were approximately $72,512 which was used along with funds drawn on the Initial Credit Facility to acquire certain properties. Additionally, on November 17, 1995, pursuant to an over-allotment option granted to the underwriters of the Second Offering, the Company issued an additional 600,000 shares of its common stock at $19.50 per share. Net proceeds to the Company after underwriting discounts totaled approximately $11,082, which was used to repay an equal amount of indebtedness on the Initial Credit Facility. The $89,700 in total proceeds from the Second Offering and over-allotment option were obtained from shares issued off of the Company's $250,000 shelf registration statement (File No. 33-96538).

On May 13, 1996, the stockholders approved an increase in the authorized shares of common stock in the Company from 25,000,000 to 95,000,000.

On July 29, 1996, the Company filed a shelf registration statement (File No. 333-09081) with the Securities and Exchanges Commission ("SEC") for an aggregate amount of $500,000 in equity securities of the Company. The registration statement was declared effective by the SEC on August 2, 1996.

On August 13, 1996, the Company sold 3,450,000 shares of its common stock through a public stock offering (the "Offering"), which included an exercise of the underwriter's over-allotment option of 450,000 shares. Net proceeds from the Offering (after offering costs) was approximately $76,830. The Offering was conducted using one underwriter and the shares were issued off of the Company's $250,000 shelf registration statement (File No. 33-96538).

Pursuant to the Company's Registration Statement on Form S-3 (File No. 333-09081), on October 30, 1996 the Company commenced an underwritten public offering and sale of 10,000,000 shares of its common stock using several different underwriters to underwrite such public offer and sale. The Company expects to receive approximately $251,500 in net proceeds from the offering, and plans to use such funds to acquire the Proposed Acquisitions mentioned earlier as well as pay down outstanding borrowings on its revolving credit facilities.

* * * *

CALI REALTY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements of Cali Realty Corporation and the notes thereto.

The following comparisons for the three and nine month periods ended September 30, 1996 ("1996"), as compared to the three and nine month periods ended September 30, 1995 ("1995") make reference to the following: (i) the effect of the "Pre-Acquisition Properties," which represents all properties owned by the Company at June 30, 1995 (for the three-month periods comparisons), and which represents all properties owned by the Company at December 31, 1994 (for the nine-month periods comparisons), (ii) the effect of the "Acquired Properties," which represents all properties acquired by the Company since July 1, 1995 (for the three-month periods comparisons), and which represents all properties acquired since January 1, 1995 (for the nine-month period comparisons), and (iii) the effect of the "Disposition," which refers to the Company's sale of Essex Road on March 20, 1996 (for both the three and nine month periods comparisons).

Three Months Ended September 30, 1996 Compared to Three Months Ended September 30, 1995

Total revenues increased $6.7 million, or 42.7 percent, for the three months ended September 30, 1996 over 1995. Base rents increased $5.4 million, or 41.8 percent, of which an increase of $5.6 million, or 42.9 percent, was attributable to the Acquired Properties, and an increase of $0.1 million, or 1.3 percent, to occupancy changes at the Pre- Acquisition Properties, offset by a decrease of $0.3 million, or 2.4 percent, as a result of the Disposition. Escalations and recoveries increased $1.0 million, or 41.0 percent, of which an increase of $0.9 million, or 36.2 percent, was attributable to the Acquired Properties, and an increase of $0.2 million, or 6.1 percent, due to occupancy changes at the Pre-Acquisition Properties, offset by a decrease of $0.1 million, or 1.3 percent, as a result of the Disposition.

Total expenses for the three months ended September 30, 1996 increased $3.3 million, or 28.3 percent, as compared to the same period in 1995. Real estate taxes increased $0.7 million, or 47.5 percent, for 1996 over 1995 substantially attributable to the Acquired Properties. Additionally, operating services increased $0.5 million, or 26.0 percent, and utilities increased $0.4 million, or 22.5 percent for 1996 over 1995. The aggregate increase in operating services and utilities of $0.9 million, or 24.3 percent, consists of $1.2 million, or 30.8 percent, attributable to the Acquired Properties, offset by a decrease of $0.2 million, or 3.6 percent, as a result of the Disposition, and a decrease of $0.1 million, or 2.9 percent, attributable to the Pre-Acquisition Properties. General and administrative expenses increased $0.5 million, or 60.2 percent, of which $0.2 million or 22.5 percent, is attributable to additional costs relating

to the Acquired Properties and $0.3 million, or 37.7 percent, due primarily to an increase in payroll and related costs as a result of the Company's expansion in 1996. Depreciation and amortization increased $0.7 million, or 24.5 percent, for 1996 over 1995, of which $0.9 million, or 30.6 percent, relates to depreciation on the Acquired Properties, offset by decreases of $0.1 million, or 3.4 percent, for amortization of deferred financing costs due to a reduction in debt outstanding on the Pre-Acquisition Properties, and $0.1 million, or 2.7 percent, of a reduction in depreciation as a result of the Disposition. Interest expense increased by $0.4 million, or 15.9 percent, primarily due to an increase in indebtedness resulting from drawings on the Company's credit facilities in connection with property acquisitions.
Income before minority interest and extraordinary item increased to $7.6 million in 1996 from $4.2 million in 1995. The increase of $3.4 million was due to the factors discussed above.

Net income increased $3.3 million for the three months ended September 30, 1996 from $3.3 million in 1995 to $6.6 million in 1996, as a result of the increase in income before minority interest and extraordinary item of $3.4 million and offset by the decrease in minority interest of $0.1 million.

Nine Months Ended September 30, 1996 Compared to Nine Months Ended September 30, 1995

Total revenues increased $18.3 million, or 40.8 percent, for the nine months ended September 30, 1996 over 1995. Base rents increased $15.3 million, or 41.9 percent, of which an increase of $13.5 million, or 36.9 percent, was attributable to the Acquired Properties, and an increase of $2.7 million, or 7.5 percent, as a result of occupancy changes at the Pre-Acquisition Properties, offset by a decrease of $0.9 million, or 2.5 percent, as a result of the Disposition. Escalations and recoveries increased $2.7 million, or 38.7 percent, of which an increase of $2.3 million, or 32.3 percent, was attributable to the Acquired Properties, and $0.5 million, or 7.6 percent, as a result of the occupancy changes at the Pre-Acquisition Properties, offset by a decrease of $0.1 million, or 1.2 percent, due to the Disposition.

Total expenses for the nine months ended September 30, 1996 increased $9.9 million, or 30.4 percent, as compared to the same period in 1995. Real estate taxes increased $2.1 million, or 49.8 percent, for 1996 over 1995 of which $1.8 million, or 42.4 percent, was as a result of the Acquired Properties, and $0.4 million, or 10.3 percent, related to the Pre-Acquisition Properties, offset by a decrease $0.1 million, or 2.9 percent, due to the Disposition. Additionally, operating services increased $2.0 million, or 34.6 percent, and utilities increased $1.3 million, or 28.3 percent. The aggregate increase in operating services and utilities of $3.4 million, or 31.8 percent, consists of $2.9 million, or 27.1 percent, attributable to the Acquired Properties, $0.7 million, or 7.1 percent, at the Pre-Acquisition Properties which was due primarily to a harsher winter in 1996, offset by a decrease of $0.2 million, or 2.4 percent, as a result of the Disposition. General and administrative expenses increased $0.6 million, or 22.9 percent, of which $0.2 million, or 8.7 percent, is additional costs relating to the Acquired Properties and $0.4 million, or 14.2 percent, due primarily to an increase in payroll and related costs as a result of the Company's expansion in 1996. Depreciation and amortization increased $1.7 million, or 19.2 percent, for 1996 over 1995, of which $2.3 million, or 25.5 percent, related to depreciation on the Acquired Properties, offset by decreases of $0.4 million, or 4.4 percent, for amortization of deferred financing costs due to reduction in debt outstanding on the Pre-Acquisition Properties, and $0.2 million, or 1.9 percent, as a result of the Disposition. Interest expense increased by $2.1 million, or 34.5 percent, primarily due to an increase in indebtedness resulting from drawings on the Company's credit facilities in connection with property acquisitions.

Income before minority interest and extraordinary item increased to $26.1 million in 1996 from $12.1 million in 1995. The increase of $14.0 million was due to the gain on sale of rental property (the Disposition) of $5.7 million in 1996, as well as due to the factors discussed above.

Net income increased $12.3 million for the nine months ended September 30, 1996 from $9.5 million in 1995, to $21.8 million in 1996, as a result of an increase in income before minority interest and extraordinary item of $14.0 million, offset by the increase in minority interest of $1.2 million and recognition in 1996 of an extraordinary loss for the early retirement of debt of $0.5 million (net of minority interest's share of $0.1 million).

Liquidity and Capital Resources

Statement of Cash Flows

During the nine months ended September 30, 1996, the Company generated $19.2 million in cash flow from operating activities, and, together with $76.8 million from the Offering, $10.3 million of proceeds from the sale of a rental property, and $0.3 million of proceeds from stock options exercised, and funds from escrow cash balances relating to the Mortgage Financing of $0.6 million, used an aggregate $116.0 million to (i) purchase three rental properties for $49.0 million, (ii) acquire land, tenant

improvements and building improvements for $11.8 million (includes $2.9 million for tenant improvement costs incurred in connection with the DLJ Expansion and $1.8 million of tenant improvement costs incurred in connection with the leasing of 62,275 square feet to Berlitz International at the Company's 400 Alexander Park, Princeton, New Jersey office property), (iii) pay quarterly dividends and distributions of $22.8 million, (iv) prepay a portion of its mortgage notes in the amount of $5.5 million, (v) pay debt prepayment penalties and other related costs of $0.3 million, (vi) pay the amortization on mortgage principal of $0.3 million, (vii) pay down its outstanding borrowings on its credit facilities by a net amount of $16.9 million, and (viii) increase its cash and cash equivalents balance by $9.4 million.

Capitalization

On November 6, 1995, the Company completed a second public offering of 4,000,000 shares of its common stock at $19.50 per share (the "Second Offering"). Net proceeds to the Company after the underwriting discounts and other offering costs were approximately $72.5 million which was used along with funds drawn on the Initial Credit Facility to acquire certain properties. Additionally, on November 17, 1995, pursuant to an over-allotment option granted to the underwriters of the Second Offering, the Company issued an additional 600,000 shares of its common stock at $19.50 per share. Net proceeds to the Company after underwriting discounts totaled approximately $11.1 million, which was used to repay an equal amount of indebtedness on the Initial Credit Facility. The $89.7 million in total proceeds from the Second Offering and over-allotment option were obtained off of the Company's $250 million shelf registration statement (File No. 33-96538).
On February 1, 1996, the Company obtained from two participating banks the $75 million Additional Credit Facility. The Additional Credit Facility bears interest at a floating rate equal to 150 basis points over LIBOR. The Additional Credit Facility is also subject to certain financial covenants, including the ratio of earnings before interest, taxes, depreciation and amortization to debt service, minimum net worth and debt-to-market capitalization. In addition, the Additional Credit Facility restricts distributions by the Company in excess of 100 percent of Funds from Operations for three successive quarters, provided that the Company retains the right to make distributions necessary to maintain its status as a REIT. The Additional Credit Facility is secured by a first mortgage lien on certain of the Company's properties. Additional Credit Facility borrowings are recourse to the Operating Partnership and guaranteed by the Company.

On May 24, 1995, the Company entered into an interest rate swap agreement with a commercial bank. The swap agreement fixes the Company's one-month LIBOR base to a fixed 6.285 percent per annum on a notional amount of $24,000 through August 1999.

In addition, on January 23, 1996, the Company entered into a second interest rate swap agreement with one of the participating banks in its Additional Credit Facility. This swap agreement has a three-year term and a notional amount of $26,000 which fixes the Company's one-month LIBOR base at 5.265 percent on its floating rate credit facilities.

On March 20, 1996, the Company sold its office building located at 15 Essex Road in Paramus, New Jersey ("Essex Road") and concurrently acquired a 95,000 square foot office building at 103 Carnegie Center in Princeton, New Jersey. The concurrent transactions qualified as a tax free exchange, as the Company used substantially all of the proceeds from the sale of Essex Road to acquire the Princeton property. The financial statements for the nine months ended September 30, 1996 include a gain of $5,658 relating to this transaction.

On May 2, 1996, the Company acquired Rose Tree Corporate Center, a two-building suburban office complex totaling approximately 260,000 square feet, located in Media, Pennsylvania. The complex was acquired for approximately $28.1 million, which was drawn on the Initial Credit Facility.

Additionally, on July 23, 1996, the Company acquired 222 and 233 Mount Airy Road, two suburban office buildings totaling approximately 115,000 square feet located in Basking Ridge, New Jersey. The buildings were acquired for approximately $10.5 million, which was drawn on one of the Company's credit facilities.

On July 29, 1996, the Company filed a shelf registration statement (File No. 333-09081) with the Securities and Exchanges Commission ("SEC") for an aggregate amount of $500 million in equity securities of the Company. The registration statement was declared effective by the SEC on August 2, 1996.

On August 13, 1996, the Company sold 3,450,000 shares of its common stock through a public stock offering (the "Offering"), which included an exercise of the underwriter's over-allotment option of 450,000 shares. Net proceeds from the Offering (after offering costs) was approximately $76,830,000. The Offering was conducted using one underwriter and the shares were issued from the Company's Registration Statement on S-3 (File No. 33-96538).
On November 4, 1996, the Company acquired the Harborside Financial Center, a three- building office complex totaling approximately 1,887,000 square feet of

office and retail space, located on the Hudson River waterfront in Jersey City, New Jersey (the "Harborside"). As part of the purchase, the Company acquired 11.3 acres of land fully-zoned and permittted for an additional 4.1 million square feet of development and the water rights associated with 27.4 acres of land extending into the Hudson River immediately east of the existing property, including two piers with an area of 5.8 acres. The acquisition cost for Harborside of approximately $287.4 million was financed with mortgage debt of $150 million and with cash of $137.4 million, which was made available through the Company's revolving credit facilities (including a new credit facility described below). The terms of the acquisition of the vacant parcels at Harborside provided for additional payments (with an estimated net present value of approximately $5.3 million) to be made to the seller for development rights if and when the Company commences construction on the site during the next several years. However, the agreement provides, among other things, that even if the Company does not commence construction, the seller may nevertheless require the Company to acquire these rights during the six-month period after the end of the sixth year. After such period, the seller's option lapses, but any development in years 7 through 30 will require a payment, on an increasing scale, for the development rights.

In connection with the acquistion of Harborside, the Company obtained a new revolving credit facility ("New Credit Facility") from Prudential Securities Credit Corp. ("PSC") totaling $80 million which bears interest at 125 basis points over one-month LIBOR, and matures on January 15, 1998, unless the Company or PSC elect to extend the maturity date to not earlier than June 30, 1998, or the facility is refinanced prior to such date at the election of either the Company or PSC. PSC has full recourse to the assets of the Company with respect to outstanding borrowings under the New Credit Facility. In addition, the New Credit Facility is secured by the Company's equity interest in Harborside. The terms of the New Credit Facility include certain restrictions and covenants that limit, among other things, dividend payments and additional indebtedness and that require compliance with specified financial ratios and other financial measurements. On November 4, 1996, the Company drew all $80 million from the New Credit Facility in connection with the acquisition of Harborside.

In addition, on November 4, 1996, the Company assumed existing debt and was provided seller-mortgage debt aggregating $150,000 (as more fully described in the Harborside discussion in Note 1).

The Company also intends to acquire through three individual transactions with separate, unrelated sellers a three-building office complex, a two-building office complex and an individual building (the "Proposed Acquisitions"). The total aggregate acquisition cost of the Proposed Acquisitions is estimated to be approximately $90.6 million.

Pursuant to the Company's Registration Statement on Form S-3 (File No. 333-09081), the Company has commenced an underwritten public offering and sale of 10,000,000 shares of its common stock using several different underwriters to underwrite such public offer and sale. The Company expects to receive approximately $251.5 million in net proceeds from the Proposed Offering, and plans to use such funds to acquire the properties mentioned earlier as well as pay down outstanding borrowings on its revolving credit facilities.
If the Proposed Offering does not occur, the Company intends to fund any projected shortfall in funds available to acquire the Proposed Acquisition by accessing one of a number of lending sources with which the Company currently has relationships. Such lending may be secured by liens on one or more of the Company's currently unencumbered properties. While there can be no assurance that the Company will be able to obtain such additional financing, the Company is reasonably confident that it will be able to do so. If it were not successful, the Company would likely elect not to acquire one or more of the Proposed Acquistions.

Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service and capital expenditures, excluding non-recurring capital expenditures. Management believes that the Company will have access to the capital resources necessary to expand and develop its business. To the extent that the Company's cash flow from operating activities is insufficient to finance its non-recurring capital expenditures such as property acquisition costs and other capital expenditures, the Company expects to finance such activities through the credit facilities and other debt and equity financing.

The Company presently has no plans for major capital improvements to the existing properties, other than normal recurring expenditures. The Company is currently constructing two office/flex buildings aggregating approximately 47,000 square feet of space at its Commercenter complex, located in Totowa, New Jersey. As of September 30, 1996, the Company has incurred $1.9 million of costs out of a total of $3.1 million anticipated to be incurred in connection with the construction project.

The Company expects to meet its short-term liquidity requirements generally through its working capital and net cash provided by operating activities along with the Initial Credit Facility and Additional Credit Facility. The Company is frequently examining potential property acquisitions and, at any one given time, one or more of such acquisitions may be under consideration. Accordingly, being

able to fund property acquisitions is a major part of the Company's financing requirements. The Company expects to meet its financing requirements through funds generated from operating activities, long-term or short-term borrowings (including draws on the Company's credit facilities), and the issuance of debt securities or additional equity securities. In addition, the Company anticipates utilizing the Initial Credit Facility and Additional Credit Facility primarily to fund property acquisition activities.

The Company does not intend to reserve funds to retire the existing Mortgage Financing, indebtedness under the credit facilities or other mortgages and loans payable upon maturity. Instead, the Company will seek to refinance such debt at maturity or retire such debt through the issuance of additional equity securities. The Company anticipates that its available cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and other sources, will be adequate to meet the Company's capital and liquidity needs both in the short and long-term. However, if these sources of funds are insufficient or unavailable, the Company's ability to make the expected distributions discussed below may be adversely affected.
To maintain its qualification as a real estate investment trust, the Company must make annual distributions to its stockholders of at least 95 percent of its REIT taxable income, excluding the dividends paid deduction and net capital gains. Moreover, the Company intends to continue to make regular quarterly distributions to its stockholders which, based upon current policy, in the aggregate would equal approximately $33.8 million on an annual basis. However, any such distribution, whether for federal income tax purposes or otherwise, would only be paid out of available cash after meeting both operating requirements and scheduled debt service on mortgages and loans payable and required annual capital expenditure reserves pursuant to its mortgage indenture.

Funds from Operations

The Company considers Funds from Operations after adjustment for the straight-lining of rents one measure of REIT performance. Funds from Operations is defined as net income (loss) before minority interest of unitholders, computed in accordance with generally accepted accounting principles, excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization. Funds from Operations should not be considered as an alternative to net income as an indication of the Company's performance or to cash flows as a measure of liquidity.

Funds from Operations for the three and nine month periods ended September 30, 1996 and 1995, as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, are summarized in the following table (in thousands):

<TABLE>
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	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Income before gain on sale of property, minority interest, and extraordinary item	$ 7,644	$ 4,184	$ 20,465	$ 12,120
Add: Real estate related depreciation and amortization	3,456	2,632	9,811	7,652
	11,100	6,816	30,276	19,772
Funds from Operations				
Deduct: Rental income adjustment for straight-lining of rents	(29)	(243)	(233)	(465)
Funds from Operations after adjustment for straight-line rents	$ 11,071	$ 6,573	$ 30,043	$ 19,307
Weighted average shares outstanding (1)	19,744	13,295	18,519	13,299

</TABLE>

(1) Assumes redemption of all Units, calculated on a weighted average basis, for shares of common stock in the Company.

Inflation

The Company's leases with the majority of its tenants provide for recoveries and escalation charges based upon the tenant's proportionate share of and/or increases in real estate taxes and certain operating costs, which reduce the Company's exposure to increases in operating costs resulting from inflation.

PART II

ITEM 1:

Signatures

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

Cali Realty Corporation

(Registrant)

Date: November 6, 1996

/s/ Thomas A. Rizk

Thomas A. Rizk
President and
Chief Executive Officer
(signing on behalf of the
Registrant)

/s/ Barry Lefkowitz

Date: November 6, 1996

Barry Lefkowitz
Vice President - Finance and
Chief Financial Officer

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