

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1999

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

Mack-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:

As of April 30, 1999, there were 58,416,148 shares of \$0.01 par value common
stock outstanding.

MACK-CALI REALTY CORPORATION

FORM 10-Q

INDEX

<TABLE>
<CAPTION>
PART I

FINANCIAL INFORMATION

PAGE

<S>

<C>

Item 1. Financial Statements:

Consolidated Balance Sheets as of March 31, 1999 and December 31, 1998.....	4
Consolidated Statements of Operations for the three months ended March 31, 1999 and 1998.....	5
Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 1999.....	6
Consolidated Statements of Cash Flows for the three months ended March 31, 1999 and 1998.....	7

	Notes to Consolidated Financial Statements.....	8-27
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	28-39
Item 3.	Quantitative and Qualitative Disclosures about Market Risk.....	40
PART II OTHER INFORMATION AND SIGNATURES		
Item 1.	Legal Proceedings.....	41
Item 2.	Changes in Securities and Use of Proceeds.....	41
Item 3.	Defaults Upon Senior Securities.....	41
Item 4.	Submission of Matters to a Vote of Security Holders.....	41
Item 5.	Other Information.....	41
Item 6.	Exhibits.....	42
	Signatures.....	43

</TABLE>

MACK-CALI REALTY CORPORATION

PART I - FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

The accompanying unaudited consolidated balance sheets, statements of operations, of changes in stockholders' equity, and of cash flows and related notes, have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. The financial statements reflect all adjustments consisting only of normal, recurring adjustments, which are, in the opinion of management, necessary for a fair presentation 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, 1998.

The results of operations for the three months ended March 31, 1999 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>		
<CAPTION>		

--		
	March 31,	December 31,
ASSETS	1999	1998

--		
<S>	<C>	<C>
Rental property		
Land and leasehold interests	\$ 515,000	\$ 510,534
Buildings and improvements	2,899,495	2,887,115
Tenant improvements	74,659	64,464
Furniture, fixtures and equipment	6,021	5,686

--		
	3,495,175	3,467,799
Less - accumulated depreciation and amortization	(198,945)	(177,934)

--		
Total rental property	3,296,230	3,289,865
Cash and cash equivalents	12,406	5,809
Investments in unconsolidated joint ventures	87,736	66,508
Unbilled rents receivable	44,576	41,038
Deferred charges and other assets, net	44,842	39,020
Restricted cash	6,378	6,026
Accounts receivable, net of allowance for doubtful accounts of \$757 and \$670	6,774	3,928

--		
Total assets	\$ 3,498,942	\$ 3,452,194

--		
--		
LIABILITIES AND STOCKHOLDERS' EQUITY		

--		
Senior Unsecured Notes	\$ 597,265	\$ --
Revolving credit facilities	110,600	671,600
Mortgages and loans payable	749,914	749,331
Dividends and distributions payable	40,757	40,564
Accounts payable and accrued expenses	33,401	33,253
Rents received in advance and security deposits	32,555	29,980
Accrued interest payable	3,838	2,246

--		
Total liabilities	1,568,330	1,526,974

--		
Minority interest of unitholders in Operating Partnership	474,926	501,313

--		
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Preferred stock, 5,000,000 shares authorized, none issued	--	--
Common stock, \$0.01 par value, 190,000,000 shares authorized, 58,268,701 and 57,266,137 shares outstanding	583	573
Additional paid-in capital	1,546,402	1,514,648
Dividends in excess of net earnings	(91,299)	(91,314)

--		
Total stockholders' equity	1,455,686	1,423,907

--		
Total liabilities and stockholders' equity	\$ 3,498,942	\$ 3,452,194

--		
--		
</TABLE>		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
<TABLE>
<CAPTION>

31,		
REVENUES		Three Months Ended March
1998		1999

<S>	<C>	<C>
Base rents	\$ 116,080	\$
92,916		
Escalations and recoveries from tenants	14,860	

10,357			
Parking and other		3,900	
1,981			
Interest income		255	
544			
Equity in (loss) earnings of unconsolidated joint ventures		(206)	
25			

Total revenues		134,889	
105,823			

EXPENSES			

Real estate taxes		13,843	
10,073			
Utilities		9,592	
8,301			
Operating services		16,916	
12,693			
General and administrative		8,134	
6,196			
Depreciation and amortization		21,969	
16,231			
Interest expense		23,622	
18,480			

Total expenses		94,076	
71,974			

Income before minority interest		40,813	
33,849			
Minority interest		8,749	
7,306			

Net income		\$ 32,064	\$
26,543			

Basic earnings per share		\$ 0.55	\$
0.52			
Diluted earnings per share		\$ 0.55	\$
0.51			

Dividends declared per common share		\$ 0.55	\$
0.50			

Basic weighted average shares outstanding		58,162	
51,363			
Diluted weighted average shares outstanding		67,283	
58,682			

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

<CAPTION>

	Common Stock		Additional	Dividends in	Total
	Shares	Par Value	Paid-In	Excess of	Stockholders'
			Capital	Net Earnings	Equity
<S>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1999	57,266	\$ 573	\$ 1,514,648	\$ (91,314)	\$ 1,423,907
Net income	--	--	--	32,064	32,064
Dividends (32,049)	--	--	--	(32,049)	--
Redemption of common units for shares of common stock	1,010	10	32,017	--	32,027
Proceeds from stock options exercised	19	--	433	--	433
Repurchase of common stock (713)	(26)	--	(713)	--	--
Deferred compensation plan for directors	--	--	17	--	17
Balance at March 31, 1999	58,269	\$ 583	\$ 1,546,402	\$ (91,299)	\$ 1,455,686

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

6

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

	Three Months Ended March	
	1999	
<S>	<C>	<C>
Net income	\$ 32,064	\$
26,543		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,969	
16,231		
Amortization of deferred financing costs	557	
254		
Equity in loss (earnings) of unconsolidated joint ventures	206	
(25)		
Minority interest	8,749	
7,306		
Changes in operating assets and liabilities:		
Increase in unbilled rents receivable	(3,538)	
(3,203)		
Increase in deferred charges and other assets, net	(1,822)	
(3,790)		
Increase in accounts receivable, net	(2,846)	
(34)		
Increase in accounts payable and accrued expenses	148	
374		
Increase in rents received in advance and security deposits	2,575	
8,256		
Increase (decrease) in accrued interest payable	1,592	
(1,554)		

Net cash provided by operating activities	\$	59,654	\$
50,358			

CASH FLOWS FROM INVESTING ACTIVITIES			

Additions to rental property	\$	(21,673)	\$
(406,659)			
Issuance of mortgage note receivable		--	
(20,000)			
Investments in unconsolidated joint ventures		(22,474)	
(18,009)			
Distributions from unconsolidated joint ventures		1,040	
--			
(Increase) decrease in restricted cash		(352)	
53			

Net cash used in investing activities	\$	(43,459)	\$
(444,615)			

CASH FLOWS FROM FINANCING ACTIVITIES			

Proceeds from Senior Unsecured Notes	\$	597,252	\$
--			
Proceeds from revolving credit facilities		40,900	
419,851			
Proceeds from mortgages and loans payable		45,500	
--			
Repayments of revolving credit facilities		(601,900)	
(185,200)			
Repayments of mortgages and loans payable		(44,932)	
(20,314)			
Repurchase of common stock		(713)	
--			
Redemption of common units		--	
(766)			
Payment of financing costs		(5,574)	
--			
Net proceeds from common stock offerings		--	
215,784			
Proceeds from stock options exercised		433	
2,004			
Payment of dividends and distributions		(40,564)	
(28,089)			

Net cash (used in) provided by financing activities	\$	(9,598)	\$
403,270			

Net increase in cash and cash equivalents	\$	6,597	\$
9,013			
Cash and cash equivalents, beginning of period	\$	5,809	\$
2,704			

Cash and cash equivalents, end of period	\$	12,406	\$
11,717			

</TABLE>

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE/UNIT AMOUNTS)

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Mack-Cali Realty Corporation, a Maryland corporation, and subsidiaries (the "Company"), 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 March 31, 1999, the Company owned or had interests in 253 properties plus developable land (collectively, the "Properties"). The Properties aggregate approximately 28.0 million square feet, and are comprised of 159 office buildings and 81 office/flex buildings totaling approximately 27.6 million square feet (which included four office buildings and one office/flex building, aggregating 1.0 million square feet, owned by unconsolidated joint ventures in which the Company has investment interests), six industrial/warehouse buildings totaling approximately 387,400 square feet, two multi-family residential complexes consisting of 453 units, two stand-alone retail properties and three land leases. The Properties are located in 12 states, primarily in the Northeast, plus the District of Columbia.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include all accounts of the Company and its majority-owned subsidiaries, which consist principally of Mack-Cali Realty, L.P. (the "Operating Partnership"). See Investments in Unconsolidated Joint Ventures in Note 2 for the Company's treatment of unconsolidated joint venture interests. All significant intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") 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

<p><TABLE> <S> RENTAL PROPERTY costs are the assets.</p>	<p><C> Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition and development of rental properties are capitalized. Capitalized development 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, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts. Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:</p>
---	---

</TABLE>

<TABLE>
<CAPTION>

Leasehold interests	Remaining lease term
<p><S> Buildings and improvements</p>	<p><C> 5 to 40 years</p>
<p>Tenant improvements</p>	<p>The shorter of the term of the related lease or useful life</p>
<p>Furniture, fixtures and equipment</p>	<p>5 to 10 years</p>

</TABLE>

<p><TABLE> <S></p> <p>the</p> <p>the</p> <p>any</p> <p>INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES</p> <p>these</p> <p>Joint</p> <p>CASH AND CASH EQUIVALENTS</p> <p>DEFERRED FINANCING COSTS</p> <p>DEFERRED LEASING COSTS</p> <p>Unamortized lease.</p> <p>The</p> <p>REVENUE RECOGNITION</p> <p>includes</p> <p>agreements.</p> <p>maintenance</p> <p>INCOME AND OTHER TAXES</p> <p></TABLE></p>	<p><C></p> <p>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. To the extent an impairment has occurred, the loss shall be measured as the excess of the carrying amount of property over the fair value of the property. Management does not believe that the value of any of its rental properties is impaired.</p> <p>The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Company exercises significant influence, but does not control entities. These investments are recorded initially at cost, as Investments in Unconsolidated Ventures, and subsequently adjusted for equity in earnings (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet of the Company and the underlying equity in net assets is amortized as an adjustment to equity in earnings (loss) of unconsolidated joint ventures over 40 years. See Note 4.</p> <p>All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.</p> <p>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 is included in interest expense and was \$557 and \$254 for the three months ended March 31, 1999 and 1998, respectively.</p> <p>Costs incurred in connection with leases are capitalized and amortized on a straight-line basis over the terms of the related leases and included in depreciation and amortization. Unamortized deferred leasing costs are charged to amortization expense upon early termination of the lease. Certain employees of the Operating Partnership provide leasing services to the Properties. The portion of such compensation which is capitalized and amortized, approximated \$658 and \$577, for the three months ended March 31, 1999 and 1998, respectively.</p> <p>Base rental revenue is recognized 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. Reimbursements are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs. See Note 13.</p> <p>The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, the Company generally 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 and satisfies certain other requirements. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a</p>
--	--

<p><TABLE> <S></p> <p>INTEREST RATE CONTRACTS</p> <p>differentials</p>	<p><C></p> <p>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 is subject to certain state and local taxes.</p> <p>Interest rate contracts are utilized by the Company to reduce interest rate risks. The Company does not hold or issue derivative financial instruments for trading purposes. The</p>
--	---

the to be received or paid under contracts designated as hedges are recognized over the life of contracts as adjustments to interest expense.

In certain situations, the Company uses forward treasury lock agreements to mitigate the potential effects of changes in interest rates for prospective transactions. Gains and losses are deferred and amortized as adjustments to interest expense over the remaining life of the associated debt to the extent that such debt remains outstanding.

EARNINGS
PER SHARE

In accordance with the Statement of Financial Accounting Standards No. 128 ("FASB No. 128"), the Company presents both basic and diluted earnings per share ("EPS"). Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock

were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount.

DIVIDENDS AND
DISTRIBUTIONS
PAYABLE

The dividends and distributions payable at March 31, 1999 represents dividends payable to shareholders of record on April 6, 1999 (58,270,201 shares), distributions payable to minority interest common unitholders (8,870,608 common units) on that same date and preferred distributions to preferred unitholders (229,304 preferred units) for the first quarter 1999.

The first quarter 1999 dividends and common unit distributions of \$0.55 per share and per common unit (pro-rated for units issued during the quarter), as well as the first quarter preferred unit distribution of \$16.875 per preferred unit, were approved by the Board of Directors on March 25, 1999 and paid on April 23, 1999.

UNDERWRITING
COMMISSIONS AND COSTS

Underwriting commissions and costs incurred in connection with the Company's stock offerings are reflected as a reduction of additional paid-in-capital.

STOCK OPTIONS

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations ("APB No. 25"). Under APB No. 25, compensation cost is measured as the excess, if any, of the quoted market price of the Company's stock at

the date of grant over the exercise price of the option granted. Compensation cost for stock options, if any, is recognized ratably over the vesting period. The Company's policy is to grant options with an exercise price equal to the quoted closing market price of the Company's stock on the business day preceding the grant date. Accordingly, no compensation cost has been recognized for the Company's stock option plans. See Note 14.

</TABLE>

3. ACQUISITIONS/TRANSACTIONS

OPERATING PROPERTY ACQUISITIONS

The Company acquired the following operating properties during the three months ended March 31, 1999:

<TABLE>
<CAPTION>

Acquisition Investment by Date	Property/Portfolio Name Company(a)	Location	# of Bldgs.	Rentable Square
<S>	<C>	<C>	<C>	<C>
OFFICE				
3/05/99	Pacifica Portfolio - Phase III (b)	Colorado Springs, El Paso County, CO	2	94,737
\$ 5,709				
TOTAL OFFICE PROPERTY ACQUISITIONS:			2	94,737
\$ 5,709				

</TABLE>

The Company acquired the following operating properties during the year ended December 31, 1998:

<TABLE>
<CAPTION>

Acquisition Investment by Date	Property/Portfolio Name	Location	# of Bldgs.	Rentable Square
<S> <C> OFFICE	<C> <C>	<C>	<C>	
2/05/98 \$ 20,125	500 West Putnam Avenue (c)	Greenwich, Fairfield County, CT	1	121,250
2/25/98 24,754	10 Mountainview Road	Upper Saddle River, Bergen County, NJ	1	192,000
3/12/98 37,266	1250 Capital of Texas Highway South	Austin, Travis County, TX	1	270,703
3/27/98 130,437	Prudential Business Campus (d)	Parsippany, Morris County, NJ	5	703,451
3/27/98 74,966	Pacifica Portfolio- Phase I (b) (e)	Denver & Colorado Springs, CO	10	620,017
3/30/98 52,763	Morris County Financial Center	Parsippany, Morris County, NJ	2	301,940
5/13/98 13,555	3600 South Yosemite	Denver, Denver County, CO	1	133,743
5/22/98 21,334	500 College Road East (f)	Princeton, Mercer County, NJ	1	158,235
6/01/98 90,385	1709 New York Ave./1400 L Street N.W.	Washington, D.C.	2	325,000
6/03/98 12,147	400 South Colorado Boulevard	Denver, Denver County, CO	1	125,415
6/08/98 85,910	Pacifica Portfolio - Phase II (b) (e) (g)	Denver & Colorado Springs, CO	6	514,427
7/16/98 15,807	4200 Parliament Drive (h)	Lanham, Prince George's County, MD	1	122,000
9/10/98 19,587	40 Richards Avenue (e)	Norwalk, Fairfield County, CT	1	145,487
9/15/98 13,379	Seven Skyline Drive (i)	Hawthorne, Westchester County, NY	1	109,000
TOTAL OFFICE PROPERTY ACQUISITIONS:			34	
3,842,668	\$ 612,415			
OFFICE/FLEX				
1/30/98 \$ 47,526	McGarvey Portfolio (j)	Moorestown, Burlington County, NJ	17	748,660
7/14/98 3,700	1510 Lancer Road (k)	Moorestown, Burlington County, NJ	1	88,000
TOTAL OFFICE/FLEX PROPERTY ACQUISITIONS:			18	836,660
\$ 51,226				
TOTAL OPERATING PROPERTY ACQUISITIONS:			52	4,679,328
\$ 663,641				

</TABLE>

PROPERTIES PLACED IN SERVICE

The Company placed in service the following properties through the completion of development during the three months ended March 31, 1999:

<TABLE>
<CAPTION>

Date Placed Investment by in Service Property Name Feet Company (a)	Location	# of Bldgs.	Rentable Square
<S> <C>	<C>	<C>	<C>
OFFICE/FLEX 3/01/99 One Center Court \$ 2,140	Totowa, Passaic County, NJ	1	38,961

TOTAL OFFICE/FLEX PROPERTIES PLACED IN SERVICE: 1 38,961
\$ 2,140

LAND LEASE 2/01/99 Horizon Center Business Park(1) \$ 1,007	Hamilton Township, Mercer County, NJ	n/a	27.7 acres
---	--------------------------------------	-----	------------

TOTAL LAND LEASE TRANSACTIONS: 27.7 acres
\$ 1,007

TOTAL PROPERTIES PLACED IN SERVICE: 1 38,961
\$ 3,147

</TABLE>

SEE FOOTNOTES TO THESE SCHEDULES ON SUBSEQUENT PAGE.

11

The Company placed in service the following properties through the completion of development or redevelopment during the year ended December 31, 1998:

<TABLE>
<CAPTION>

Date Placed Investment by in Service Property Name Feet Company (a)	Location	# of Bldgs.	Rentable Square
<S> <C>	<C>	<C>	<C>
OFFICE 1/15/98 224 Strawbridge Drive \$ 7,796	Moorestown, Burlington County, NJ	1	74,000
8/01/98 228 Strawbridge Drive 7,986	Moorestown, Burlington County, NJ	1	74,000

TOTAL OFFICE PROPERTIES PLACED IN SERVICE: 2 148,000
\$ 15,782

OFFICE/FLEX 6/08/98 Two Center Court \$ 2,231	Totowa, Passaic County, NJ	1	30,600
10/23/98 650 West Avenue 4,952	Stamford, Fairfield County, CT	1	40,000

 TOTAL OFFICE/FLEX PROPERTIES PLACED IN SERVICE: 2 70,600
 \$ 7,183

 TOTAL PROPERTIES PLACED IN SERVICE: 4 218,600
 \$ 22,965

</TABLE>

- (a) Unless otherwise noted, transactions were funded by the Company primarily with funds made available through draws on the Company's credit facilities.
- (b) The Company may be required to pay additional consideration due to earn-out provisions in the agreement. William L. Mack, a director and equity holder of the Company, was an indirect owner of an interest in certain of the buildings contained in the Pacifica portfolio.
- (c) The acquisition was funded with cash as well as the assumption of mortgage debt (estimated fair value of approximately \$12,104, with annual effective interest rate of 6.52 percent).
- (d) The acquisition was funded primarily from proceeds received from the sale of 2,705,628 shares of common stock (see Note 14). Also included in the acquisition, but excluded from this schedule, is (i) Nine Campus Drive, which the Company has a 50 percent interest through an unconsolidated joint venture (see Note 4), and (ii) developable land adjacent to the acquired portfolio (see "1998 Redevelopment Properties/Developable Land Acquisitions").
- (e) The acquisition was funded with cash and the issuance of common units to the seller (see Note 10).
- (f) The property was acquired subject to a ground lease, which is prepaid through 2031, and has two 10-year renewal options, at rent levels as defined in the lease agreement.
- (g) Also included in the acquisition, but excluded from this schedule, is developable land adjacent to the acquired portfolio (see "1998 Redevelopment Properties/Developable Land Acquisitions").
- (h) Includes land adjacent to the operating property, which may be sub-divided for future development.
- (i) The property was acquired through the exercise of a purchase option obtained in connection with the Company's acquisition of 65 properties from Robert Martin Company, LLC in January 1997. The acquisition was funded with cash, net of the repayment by the seller of the remaining balance of a note receivable.
- (j) The acquisition was funded with cash as well as the assumption of mortgage debt (aggregate estimated fair value of approximately \$8,354, with a weighted average annual effective interest rate of 6.24 percent). The Company is under contract to acquire an additional four office/flex properties and has a right of first refusal to acquire six additional office/flex properties.
- (k) The property was acquired through the exercise of a purchase option obtained in the acquisition of the McGarvey portfolio in January 1998.
- (l) On February 1, 1999, the Company entered into a ground lease agreement to lease 27.7 acres of developable land located at the Company's Horizon Center Business Park, located in Hamilton Township, Mercer County, New Jersey on which Home Depot will develop a 134,000 square-foot retail store.

 FIRST QUARTER 1999 DEVELOPABLE LAND TRANSACTIONS

On February 26, 1999, the Company acquired approximately 2.3 acres of vacant land adjacent to one of the Company's operating properties located in San Antonio, Bexar County, Texas for approximately \$1,457, which was made available from the Company's cash reserves.

On March 2, 1999, the Company entered into a joint venture with SJP Allen Road to form MC-SJP Pinson Development, LLC, which acquired vacant land located in Bernards Township, Somerset County, New Jersey for approximately \$3,197. The venture has plans to develop a 135,000 square-foot office building on this site. The Company accounts for its investment in the joint venture on a consolidated basis.

12

1998 REDEVELOPMENT PROPERTIES/DEVELOPABLE LAND TRANSACTIONS

On January 23, 1998, the Company acquired, from an entity whose principals include Timothy M. Jones, Martin S. Berger and Robert F. Weinberg, each of whom are affiliated with the Company as either senior management, a former or current member of the Board of Directors and/or an equity holder in the Company, approximately 10 acres of vacant land in the Stamford Executive Park, located in Stamford, Fairfield County, Connecticut for approximately \$1,341, funded from the Company's cash reserves. In October 1998, the Company completed and placed in service a 40,000 square-foot office/flex property on the acquired land (see "Properties Placed in Service").

On February 2, 1998, the Company acquired 2115 Linwood Avenue, a 68,000 square-foot vacant office building located in Fort Lee, Bergen County, New Jersey. The building was acquired for approximately \$5,164, which was made available from drawing on one of the Company's credit facilities. The Company is currently redeveloping the property for future lease-up and operation.

On March 27, 1998, as part of the purchase of the Prudential Business Campus (see "Operating Property Acquisitions"), the Company acquired approximately 95 acres of vacant land adjacent to the operating properties for approximately \$27,500.

On June 8, 1998, as part of the Pacifica portfolio-phase II acquisition (see "Operating Property Acquisitions"), the Company acquired vacant land adjacent to the operating properties for approximately \$2,006.

On September 4, 1998, the Company acquired approximately 128 acres of vacant land located at the Company's Horizon Center Business Park, Hamilton Township, Mercer County, New Jersey, through the exercise of a purchase option obtained in the Company's acquisition of the Horizon Center Business Park in November 1995. The land was acquired for approximately \$1,698, which was funded from the Company's cash reserves. Subsequently in 1999, the Company leased 27.7 acres of the acquired land to Home Depot (see "Properties Placed in Service").

On November 10, 1998, the Company acquired approximately 10.1 acres of land located at Three Vaughn Drive, Princeton, Mercer County, New Jersey. The Company acquired the land for approximately \$2,146, which was funded from the Company's cash reserves.

On December 3, 1998, the Company acquired, from an entity whose principals include Timothy M. Jones, Martin S. Berger and Robert F. Weinberg, each of whom are affiliated with the Company as either senior management, a former or current member of the Board of Directors and/or an equity holder in the Company, approximately 2.7 acres of land located at 12 Skyline Drive, Hawthorne, Westchester County, New York. The Company acquired the land for approximately \$1,540, which was funded from the Company's cash reserves.

PENDING ACQUISITIONS

In May 1999, the Company entered into a contract to acquire 795 Folsom Street, a 184,000 square-foot office property, located in San Francisco, San Francisco County, California from AT&T Corporation ("AT&T") for approximately \$34,000. Concurrently, the Company signed a lease with AT&T for 63,278 square feet of the property.

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

PRU-BETA 3 (NINE CAMPUS DRIVE)

On March 27, 1998, the Company acquired a 50 percent interest in an existing joint venture with The Prudential Insurance Company of America ("Prudential"), known as Pru-Beta 3, which owns and operates Nine Campus Drive, a 156,495 square-foot office building, located in the Prudential Business Campus office complex in Parsippany, Morris County, New Jersey (see Note 3). The Company performs management and leasing services for the property owned by the joint venture and received \$38 and none in fees for such services in the three months ended March 31, 1999 and 1998, respectively.

13

HPMC (CONTINENTAL GRAND II/SUMMIT RIDGE/LAVA RIDGE)

On April 23, 1998, the Company entered into a joint venture agreement with HCG Development, L.L.C. and Summit Partners I, L.L.C. to form HPMC Development

Partners, L.P. and, on July 21, 1998, entered into a second joint venture, HPMC Lava Ridge Partners, L.P., with these same parties. HPMC Development Partners, L.P.'s efforts have focused on two development projects, commonly referred to as Continental Grand II and Summit Ridge. Continental Grand II is a 4.2 acre site located in El Segundo, Los Angeles County, California, acquired by the venture upon which it has commenced construction of a 237,000 square-foot office property. Summit Ridge is a 7.3 acre site located in San Diego, San Diego County, California, acquired by the venture which it has commenced construction of a 132,000 square-foot office/flex property. HPMC Lava Ridge Partners, L.P. has commenced construction of three two-story buildings aggregating 183,200 square-feet of office space on a 12.1 acre site located in Roseville, Placer County, California. The Company is required to make capital contributions to the ventures totaling up to \$26,566, pursuant to the partnership agreements. Among other things, the partnership agreements provide for a preferred return on the Company's invested capital in each venture, in addition to 50 percent of such venture's profit above the preferred returns, as defined in each agreement.

G&G MARTCO (CONVENTION PLAZA)

On April 30, 1998, the Company acquired a 49.9 percent interest in an existing joint venture, known as G&G Martco, which owns Convention Plaza, a 305,618 square-foot office building, located in San Francisco, San Francisco County, California. A portion of its initial investment was financed through the issuance of common units (see Note 10), as well as funds drawn from the Company's credit facilities. The Company performs management and leasing services for the property owned by the joint venture and received \$12 and none in fees for such services in the three months ended March 31, 1999 and 1998, respectively.

AMERICAN FINANCIAL EXCHANGE L.L.C.

On May 20, 1998, the Company entered into a joint venture agreement with Columbia Development Corp. to form American Financial Exchange L.L.C. The venture was initially formed to acquire land for future development, located on the Hudson River waterfront in Jersey City, Hudson County, New Jersey, adjacent to the Company's Harborside Financial Center office complex. The Company holds a 50 percent interest in the joint venture. Among other things, the partnership agreement provides for a preferred return on the Company's invested capital in the venture, in addition to the Company's proportionate share of the venture's profit, as defined in the agreement. The joint venture acquired land on which it constructed a parking facility, which is currently leased to a parking operator under a 10-year agreement. Such parking facility serves a ferry service between the Company's Harborside property and Manhattan.

RAMLAND REALTY ASSOCIATES L.L.C. (ONE RAMLAND ROAD)

On August 20, 1998, the Company entered into a joint venture agreement with S.B. New York Realty Corp. to form Ramland Realty Associates L.L.C. The venture was formed to own, manage and operate One Ramland Road, a 232,000 square-foot office/flex building plus adjacent developable land, located in Orangeburg, Rockland County, New York. The office/flex building is being redeveloped for future lease-up and operation. The Company holds a 50 percent interest in the joint venture.

ASHFORD LOOP ASSOCIATES L.P. (1001 SOUTH DAIRY ASHFORD/2100 WEST LOOP SOUTH)

On September 18, 1998, the Company entered into a joint venture agreement with Prudential to form Ashford Loop Associates L.P. The venture was formed to own, manage and operate 1001 South Dairy Ashford, a 130,000 square-foot office building acquired on September 18, 1998 and 2100 West Loop South, a 168,000 square-foot office building acquired on November 25, 1998, both located in Houston, Harris County, Texas. The Company holds a 20 percent interest in the joint venture. The joint venture may be required to pay additional consideration due to earn-out provisions in the acquisition contracts. The Company performs management and leasing services for the properties owned by the joint venture and received \$30 and none in fees for such services in the three months ended March 31, 1999 and 1998, respectively.

ARCAP INVESTORS, L.L.C.

On March 18, 1999, the Company invested \$16,274 in ARCap Investors, L.L.C., a joint venture with several participants, which was formed to invest in sub-investment grade tranches of commercial mortgage-backed securities ("CMBS"). The Company has agreed to invest an additional \$3,726 in the venture. William L. Mack, a director and equity holder of the Company, is a principal of the managing member of the venture. During the three months ended March 31, 1999, the venture purchased approximately \$141,800 face value of CMBS bonds for an aggregate cost of \$71,669.

14

SUMMARIES OF UNCONSOLIDATED JOINT VENTURES

The following is a summary of the financial position of the unconsolidated joint ventures in which the Company had investment interests as of March 31, 1999 and December 31, 1998:

<TABLE>
<CAPTION>

March 31, 1999

Depreciation and amortization	--	--	--	--	--	--	--
Interest expense	--	--	--	--	--	--	--

Net income	\$25	--	--	--	--	--	--
\$25							

Company's equity in earnings of unconsolidated joint ventures	\$25	--	--	--	--	--	--
\$25							

5. DEFERRED CHARGES AND OTHER ASSETS

<TABLE>
<CAPTION>

	March 31, 1999	December 31, 1998

Deferred leasing costs	\$ 37,174	\$ 35,151
Deferred financing costs	16,579	9,962

Accumulated amortization	53,753 (15,229)	45,113 (13,527)

Deferred charges, net	38,524	31,586
Prepaid expenses and other assets	6,318	7,434

Total deferred charges and other assets, net	\$ 44,842	\$ 39,020

6. RESTRICTED CASH

Restricted cash includes security deposits for the Company's residential properties and certain commercial properties, 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>
<CAPTION>

	March 31, 1999	December 31, 1998

Security deposits	\$ 6,085	\$ 5,696
Escrow and other reserve funds	293	330

Total restricted cash	\$ 6,378	\$ 6,026

7. SENIOR UNSECURED NOTES

On March 16, 1999, the Operating Partnership issued \$600,000 of senior unsecured notes ("Senior Unsecured Notes") under a shelf registration statement which was declared effective by the SEC in September 1998. Interest on the Senior

Unsecured Notes is payable semi-annually in arrears. The Senior Unsecured Notes are redeemable at any time at the option of the Company, subject to certain conditions including yield maintenance. The total proceeds from the issuance (net of selling commissions and discount) of approximately \$593,500 were used to pay down outstanding borrowings under the 1998 Unsecured Facility, as defined below, and to pay off certain mortgage loans. The Senior Unsecured Notes were issued at a discount of approximately \$2,748, which is being amortized over the terms of the respective tranches as an adjustment to interest expense. Including amortization of offering costs, the weighted average effective annual interest rate for the Senior Unsecured Notes is approximately 7.38 percent.

A summary of the terms of the Senior Unsecured Notes outstanding as of March 31, 1999 is presented below:

<TABLE>
<CAPTION>

	AMOUNT	EFFECTIVE RATE (1)
<S>	<C>	<C>
7.00% Senior Unsecured Notes, due March 15, 2004	\$299,604	7.27%
7.25% Senior Unsecured Notes, due March 15, 2009	\$297,661	7.49%
Total Senior Unsecured Notes	\$597,265	7.38%

</TABLE>

(1) Includes the cost of terminated treasury lock agreements, offering and transaction costs and the discount on the notes.

8. REVOLVING CREDIT FACILITIES

ORIGINAL UNSECURED FACILITY

The Original Unsecured Facility ("Original Unsecured Facility") was repaid in full and retired in connection with the Company obtaining the 1998 Unsecured Facility in April 1998, as defined below. On account of prepayment fees, loan origination fees, legal fees, and other costs incurred in the retirement of the Original Unsecured Facility, an extraordinary loss of \$2,203, net of minority interest's share of the loss (\$275), was recorded for the year ended December 31, 1998.

1998 UNSECURED FACILITY

In April 1998, the Company repaid in full and terminated the Original Unsecured Facility and obtained a new unsecured revolving credit facility ("1998 Unsecured Facility") with a current borrowing capacity of \$1,000,000 from a group of 28 lenders. The interest rate is based on the Company's achievement of investment grade unsecured debt ratings and is currently 90 basis points over London Inter-Bank Offered Rate ("LIBOR") (5.06 percent at March 31, 1999). The 1998 Unsecured Facility matures in April 2001.

The terms of the 1998 Unsecured Facility include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the maximum leverage ratio, the maximum amount of secured indebtedness, the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90 percent of funds from operations for such period, subject to certain other adjustments. The 1998 Unsecured Facility also requires a 17.5 basis point fee on the unused balance payable quarterly in arrears.

PRUDENTIAL FACILITY

The Company has a revolving credit facility ("Prudential Facility") from Prudential Securities Corp. ("PSC") in the amount of \$100,000, which currently bears interest at 110 basis points over one-month LIBOR, with a maturity date of March 31, 2000. The Prudential Facility is a recourse liability of the Operating Partnership and is secured by the Company's equity interest in Harborside. The Prudential Facility limits the ability of the Operating Partnership to make any

distributions during any fiscal quarter in an amount in excess of 100 percent of the Operating Partnership's available funds from operations for the immediately preceding fiscal quarter (except to the extent such excess distributions or dividends are attributable to gains from the sale of the Operating Partnership's assets or are required for the Company to maintain its status as a REIT under the Code); provided, however, that the Operating Partnership may make distributions and pay dividends in excess of 100 percent of available funds from operations for the preceding fiscal quarter for not more than three

17

consecutive quarters. In addition to the foregoing, the Prudential Facility limits the liens placed upon the subject property and certain collateral, the use of proceeds from the Prudential Facility, and the maintenance of ownership of the subject property and assets derived from said ownership.

SUMMARY

As of March 31, 1999, the Company had outstanding borrowings of \$110,600 under its revolving credit facilities (with aggregate borrowing capacity of \$1,100,000). The outstanding borrowings were comprised of \$110,600 from the 1998 Unsecured Facility, with no outstanding borrowings on its Prudential Facility.

9. MORTGAGES AND LOANS PAYABLE

<TABLE>

<CAPTION>

	March 31, 1999	December 31, 1998
<S>	<C>	<C>
Portfolio Mortgages	\$335,283	\$335,283
Property Mortgages	414,631	414,048

Total Mortgages and Loans Payable	\$749,914	\$749,331

</TABLE>

PORTFOLIO MORTGAGES

TIAA MORTGAGE

The Company has a \$185,283 non-recourse mortgage loan with Teachers Insurance and Annuity Association of America, with interest only payable monthly at a fixed annual rate of 7.18 percent ("TIAA Mortgage"). The TIAA Mortgage is secured and cross-collateralized by 43 properties and matures in December 2003. The Company has the option to convert, without any yield maintenance obligation or prepayment premium, the TIAA Mortgage to unsecured public debt as a result of the achievement of an investment grade credit rating. The TIAA Mortgage is prepayable in whole or in part subject to certain provisions, including yield maintenance.

\$150,000 PRUDENTIAL MORTGAGE LOAN

On April 30, 1998, the Company obtained a \$150,000, interest-only, non-recourse mortgage loan from Prudential ("\$150,000 Prudential Mortgage Loan"). The loan, which is secured by 12 properties, has an effective annual interest rate of 7.10 percent and a seven-year term. The Company has the option to convert the mortgage loan to unsecured debt as a result of the achievement of an investment grade credit rating. The mortgage loan is prepayable in whole or in part subject to certain provisions, including yield maintenance.

PROPERTY MORTGAGES

Property mortgages are comprised of various non-recourse loans which are collateralized by certain of the Company's rental properties. Payments on property mortgages are generally due in monthly installments of principal and interest, or interest only.

18

A summary of the Company's property mortgages as of March 31, 1999 and December 31, 1998 is as follows:

<TABLE>

<CAPTION>

PROPERTY NAME	LENDER	INTEREST RATE	PRINCIPAL BALANCE AT MARCH 31, 1999	PRINCIPAL BALANCE AT DECEMBER 31, 1998	DATE OF MATURITY
<S>	<C>	<C>	<C>	<C>	<C>
Mack-Cali Centre VI	CIGNA	7.600%	\$ --	\$29,223	03/31/99
Mack-Cali Airport	CIGNA	7.600%	--	6,849	03/31/99

Mack-Cali Murray Hill	Horace Mann	7.850%	--	8,027	05/01/99
Mack-Cali Manhasset	IDA Financing	TENR	8,000	8,000	12/01/99
201 Commerce Drive	Sun Life Assurance Co.	6.240%	1,106	1,121	09/01/00
3 & 5 Terri Lane	First Union National Bank	6.220%	4,466	4,476	10/31/00
101 & 225 Executive Drive	Sun Life Assurance Co.	6.270%	2,510	2,553	06/01/01
Mack-Cali Morris Plains	Corestates Bank	7.510%	2,276	2,292	12/31/01
Harborside Financial Center(1)	Contingent Obligation(1)	6.764%	6,254	6,150	11/04/02
Mack-Cali Willowbrook	CIGNA	8.670%	10,741	10,918	10/01/03
1717 Route 208, Fairlawn	Prudential Insurance Co.	8.250%	17,468	17,586	10/01/03
400 Chestnut Ridge	Prudential Insurance Co.	9.440%	14,901	14,983	07/01/04
Mack-Cali Centre VI	Principal Life Insurance Co.	6.865%	35,000	--	04/01/05
Mack-Cali Bridgewater I	New York Life Ins. Co.	7.000%	23,000	23,000	09/10/05
Mack-Cali Woodbridge II	New York Life Ins. Co.	7.500%	17,500	17,500	09/10/05
Mack-Cali Short Hills	Prudential Insurance Co.	7.740%	27,406	27,696	10/01/05
500 West Putnam Avenue	New York Life Ins. Co.	6.520%	11,300	11,471	10/10/05
Harborside - Plaza I	U.S. West Pension Trust	6.990%	48,911	48,148	01/01/06
Harborside - Plaza II and III	Northwestern Mutual Life Ins.	7.320%	101,089	101,852	01/01/06
Mack-Cali Airport	Allstate Life Insurance Co.	7.050%	10,500	--	04/01/07
Kemble Plaza II	Mitsubishi Tr & Bk Co.	LIBOR+0.65%	40,025	40,025	01/31/08
Kemble Plaza I	Mitsubishi Tr & Bk Co.	LIBOR+0.65%	32,178	32,178	01/31/09

--

Total Property Mortgages \$414,631 \$414,048

--

--

</TABLE>

(1) As part of the Harborside acquisition in November 1996, the Company agreed to make payments (with an estimated net present value of approximately \$5,252 at acquisition date) to the seller for development rights ("Contingent Obligation") if and when the Company commences construction on the acquired 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 is currently in the pre-development phase of a long-range plan to develop the Harborside site on a multi-property, multi-use basis.

INTEREST RATE CONTRACTS

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 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 a commercial bank. The swap agreement fixed the Company's one-month LIBOR base to 5.265 percent per annum on a notional amount of \$26,000. The swap agreement expired in January 1999.

On October 1, 1998, the Company entered into a forward treasury rate lock agreement with a commercial bank. The agreement locked an interest rate of 4.089 percent per annum for the three-year U.S. Treasury Note effective November 4, 1999, on a notional amount of \$50,000. The agreement will be used to fix the Index Rate on \$50,000 of the Harborside- Plaza I mortgage, for which the Company's interest rate re-sets for three years beginning November 4, 1999 to the three-year U.S. Treasury Note plus 110 basis points (see "Property Mortgages: Harborside-Plaza I").

In connection with the issuance of the Senior Unsecured Notes, the Company entered into and settled forward treasury rate lock agreements in March 1999. These agreements were settled at a cost of approximately \$517, which is being amortized to interest expense over the terms of the respective tranches.

The Company is exposed to credit loss in the event of non-performance by the other parties to the interest rate contracts. However, the Company does not anticipate non-performance by any of the counterparties. The Company is also exposed to market risk from the movement in interest rates pertaining to the forward treasury rate lock agreement.

SCHEDULED PRINCIPAL PAYMENTS

Scheduled principal payments and related weighted average annual interest rates for the Company's Senior Unsecured Notes, revolving credit facilities and mortgages and loans payable as of March 31, 1999 are as follows:

<TABLE>

<CAPTION>

YEAR	SCHEDULED AMORTIZATION	PRINCIPAL MATURITIES	TOTAL	WEIGHTED AVG. INTEREST RATE OF FUTURE REPAYMENTS (A)
--				
<S>	<C>	<C>	<C>	<C>
April through December 1999	\$ 2,296	\$ 8,000	\$ 10,296	6.26%
2000	3,336	5,419	8,755	6.77%
2001	3,583	114,811	118,394	6.05%
2002	3,823	7,814	11,637	7.09%
2003	4,180	206,971	211,151	7.31%
Thereafter	4,721	1,092,825	1,097,546	7.19%
--				
Totals/Weighted Average	\$ 21,939	\$ 1,435,840	\$1,457,779	7.12%
--				
--				
--				

</TABLE>

(a) Assumes LIBOR rate at March 31, 1999 of 5.06 percent in calculating revolving credit facility and other variable rate debt interest rates.

CASH PAID FOR INTEREST & INTEREST CAPITALIZED

Cash paid for interest for the three months ended March 31, 1999 and 1998, was \$22,646 and \$20,302, respectively. Interest capitalized by the Company for the three months ended March 31, 1999 and 1998 was \$1,245 and \$201, respectively.

SUMMARY OF INDEBTEDNESS

As of March 31, 1999, the Company's total indebtedness of \$1,457,779 (weighted average interest rate of 7.12 percent) was comprised of \$190,804 of credit facility borrowings and other variable rate mortgage debt (average rate of 5.82 percent), fixed rate debt of \$1,260,721 (average rate of 7.30 percent), and a Contingent Obligation of \$6,254.

10. MINORITY INTEREST

Minority interest in the accompanying consolidated financial statements relates to common units in the Operating Partnership, in addition to preferred units ("Preferred Units") and warrants to purchase common units ("Unit Warrants") issued in connection with the Company's December 1997 acquisition of 54 office properties ("Mack Properties") from the Mack Company and Patriot American Office Group ("Mack Transaction"), held by parties other than the Company.

PREFERRED UNITS

In connection with the Mack Transaction in December 1997, the Company issued 15,237 Series A Preferred Units and 215,325 Series B Preferred Units, with an aggregate value of \$236,491. The Preferred Units have a stated value of \$1,000 per unit and are preferred as to assets over any class of common units or other class of preferred units of the Company, based on circumstances per the applicable unit certificates.

The quarterly distribution on each Preferred Unit (representing 6.75 percent of the Preferred Unit stated value of \$1,000 on an annualized basis) is an amount equal to the greater of (i) \$16.875 or (ii) the quarterly distribution attributable to a Preferred Unit determined as if such unit had been converted into common units, subject to adjustment for customary anti-dilution rights. Each of the Series A Preferred Units may be converted at any time into common units at a conversion price of \$34.65 per unit, and, after the one year anniversary of the date of the Series A Preferred Units' initial issuance, common units received pursuant to such conversion may be redeemed into common stock. Each of the Series B Preferred Units may be converted at any time into common units at a conversion price of \$34.65 per unit, and, after the three year anniversary of the date of the Series B Preferred Units' initial issuance, common units received pursuant to such conversion may be redeemed into common stock. Each of the common units are redeemable for an equal number of shares of common stock.

During 1998, the Company issued 19,694 additional Preferred Units (11,895 of Series A and 7,799 of Series B), convertible into 568,369 common units and valued at approximately \$20,200, in connection with the achievement of certain performance goals at the Mack Properties in redemption of an equivalent number of contingent Preferred Units.

During the three months ended March 31, 1999, 20,952 Series A Preferred Units were converted into 604,675 common units.

As of March 31, 1999, there were 229,304 Preferred Units outstanding (convertible into 6,617,721 common units).

COMMON UNITS

Certain individuals and entities own common units in the Operating Partnership. A common 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.

Common units are redeemable by the common unitholders at their option, subject to certain restrictions, on the basis of one common 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 common unit, minority interest is reduced and the Company's investment in the Operating Partnership is increased.

During 1998, the Operating Partnership redeemed a total of 82,880 common units in exchange for an aggregate of \$3,163 in cash. Additionally, the Operating Partnership redeemed an aggregate of 29,300 common units for an equivalent number of shares of common stock in the Company.

On March 26, 1998, in connection with the Pacifica portfolio-phase I acquisition, the Company issued 100,175 common units, valued at approximately \$3,779.

On April 30, 1998, in connection with the acquisition of a 49.9 percent interest in the G&G Martco joint venture (see Note 4), the Company issued 218,105 common units, valued at approximately \$8,334.

On June 8, 1998, in connection with the Pacifica portfolio-phase II acquisition, the Company issued 585,263 common units, valued at approximately \$20,753.

On July 20, 1998, in connection with the expansion of one of the Mack Properties, the Company issued 52,245 common units, valued at approximately \$1,632.

On September 10, 1998, in connection with the acquisition of 40 Richards Avenue, the Company issued 414,114 common units, valued at approximately \$12,615.

During 1998, the Company also issued 1,731,386 common units, valued at approximately \$58,936, in connection with the achievement of certain performance goals at the Mack Properties in redemption of an equivalent number of contingent common units.

During the three months ended March 31, 1999, the Operating Partnership redeemed an aggregate of 1,010,204 common units for an equivalent number of shares of common stock in the Company.

During the three months ended March 31, 1999, the Company also issued 189,552 common units, valued at approximately \$5,599, in connection with the achievement of certain performance goals at the Mack Properties in redemption of an equivalent number of contingent common units.

As of March 31, 1999, there were 8,870,608 common units outstanding.

CONTINGENT COMMON & PREFERRED UNITS

In connection with the Mack Transaction in December 1997, 2,006,432 contingent common units, 11,895 Series A contingent Preferred Units and 7,799 Series B contingent Preferred Units were issued as contingent non-participating units ("Contingent Units"). Such Contingent Units have no voting, distribution or other rights until such time as they are redeemed into common units, Series A Preferred Units, and Series B Preferred Units, respectively. Redemption of such Contingent Units shall occur upon the achievement of certain performance goals relating to certain of the Mack Properties, specifically the achievement of certain leasing activity. When Contingent Units are redeemed for common and Preferred Units, an adjustment to the purchase price of certain of the Mack Properties is recorded, based on the value of the units issued.

On account of certain of the performance goals at the Mack Properties having been achieved during 1998, the Company redeemed 1,731,386 contingent common units and 19,694 contingent Preferred Units and issued an equivalent number of common and Preferred Units, as indicated above.

On account of certain of the performance goals at the Mack Properties having been achieved during the three months ended March 31, 1999, the Company redeemed 189,552 contingent common units and issued an equivalent number of common

units, as indicated above. There were no contingent Preferred Units outstanding and 85,494 contingent common units outstanding as of March 31, 1999.

UNIT WARRANTS

The Company has 2,000,000 Unit Warrants outstanding. The Unit Warrants are exercisable at \$37.80 per common unit and expire on December 11, 2002.

MINORITY INTEREST OWNERSHIP

As of March 31, 1999 and December 31, 1998, the minority interest common unitholders owned 13.2 percent (21.0 percent, including the effect of the conversion of Preferred Units into common units) and 13.7 percent (22.2 percent including the effect of the conversion of Preferred Units into common units) of the Operating Partnership, respectively (excluding any effect for the exercise of Unit Warrants).

11. EMPLOYEE BENEFIT PLAN

All employees of the Company who meet certain minimum age and period of service requirements are eligible to participate in a 401(k) defined contribution plan (the "401(k) Plan"). The 401(k) 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, although no employer contributions have been made to date.

12. COMMITMENTS AND CONTINGENCIES

TAX ABATEMENT AGREEMENTS

GROVE STREET PROPERTY

Pursuant to an agreement with the City of Jersey City, New Jersey, as amended, expiring in 2004, the Company is required to make payments in lieu of property taxes ("PILOT") on its property at 95 Christopher Columbus Drive, Jersey City, Hudson County, New Jersey. Such PILOT, as defined, is \$1,267 per annum through May 31, 1999 and \$1,584 per annum through May 31, 2004.

HARBORSIDE FINANCIAL CENTER PROPERTY

Pursuant to an agreement with the City of Jersey City, New Jersey obtained by the former owner of the Harborside property in 1988 and assumed by the Company as part of the acquisition of the property in November 1996, the Company is required to make PILOT payments on its Harborside property. The agreement, which commenced in 1990, is for a term of 15 years. Such PILOT is equal to two percent of Total Project Costs, as defined, in year one and increases by \$75 per annum through year fifteen. Total Project Costs, as defined, are \$145,644. Such PILOT totaled \$651 and \$625 for the three months ended March 31, 1999 and 1998, respectively.

GROUND LEASE AGREEMENTS

Future minimum rental payments under the terms of all non-cancelable ground leases, under which the Company is the lessee as of March 31, 1999 are as follows:

<TABLE>
<CAPTION>

YEAR	AMOUNT
April 1, 1999 to December 31, 1999	\$ 319
2000	425
2001	427
2002	427
2003	427
Thereafter	21,934
Total	\$23,959

</TABLE>

OTHER CONTINGENCIES

On April 19, 1999, the Company announced the following changes in the membership of its Board of Directors and the identities, titles and responsibilities of its executive officers: (i) Thomas A. Rizk resigned from the Board of Directors, the Executive Committee of the Board of Directors, his position as Chief Executive Officer and as an employee of the Company; (ii) Mitchell E. Hersh was appointed Chief Executive Officer of the Company simultaneous with his resignation from his positions as President and Chief Operating Officer of the Company; (iii) Timothy M. Jones was appointed President of the Company simultaneous with his resignation from his positions as Executive Vice President and Chief

Investment Officer of the Company; and (iv) Brant Cali was appointed to the Board of Directors of the Company to fill the remainder of Thomas A. Rizk's term as a Class III Director and was appointed Chief Operating Officer of the Company, also remaining as an Executive Vice President and Assistant Secretary of the Company.

Pursuant to the terms of Mr. Rizk's employment agreement entered into with the Company in December 1997 and an agreement entered into simultaneous with his resigning from the Company, Mr. Rizk received a payment of approximately \$14,490 in April 1999 and will receive \$500 annually over the next three years.

The Company is a defendant in certain litigation arising in the normal course of business activities. Management does not believe that the resolution of these matters will have a materially adverse effect upon the Company.

13. TENANT LEASES

The Properties are leased to tenants under operating leases with various expiration dates through 2016. 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.

14. 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 at any time during the last half of any taxable year of the Company, other than its initial taxable year (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.

COMMON STOCK

On February 25, 1998, the Company completed an underwritten public offer and sale of 2,500,000 shares of its common stock and used the net proceeds, which totaled approximately \$92,194 (after offering costs) to pay down a portion of its outstanding borrowings under the Company's credit facilities and fund the acquisition of 10 Mountainview Road (see Note 3).

On March 18, 1998, in connection with the acquisition of Prudential Business Campus, the Company completed an offer and sale of 2,705,628 shares of its common stock using the net proceeds of approximately \$99,899 (after offering costs) in the funding of such acquisition (see Note 3).

On March 27, 1998, the Company completed an underwritten public offer and sale of 650,407 shares of its common stock and used the net proceeds, which totaled approximately \$23,690 (after offering costs) to pay down a portion of its outstanding borrowings under the Company's credit facilities.

On April 29, 1998, the Company completed an underwritten offer and sale of 994,228 shares of its common stock and used the net proceeds, which totaled approximately \$34,570 (after offering costs), primarily to pay down a portion of its outstanding borrowings under the Company's credit facilities.

On May 29, 1998, the Company completed an underwritten offer and sale of 984,615 shares of its common stock and used the net proceeds, which totaled approximately \$34,100 (after offering costs), primarily to pay down a portion of its outstanding borrowings under the Company's credit facilities.

On December 31, 1998, the Company completed an offer and sale of 132,710 shares of its common stock, using the net proceeds of approximately \$3,940 for general corporate purposes.

On August 6, 1998, the Board of Directors of the Company authorized a share repurchase program ("Repurchase Program") under which the Company was permitted to purchase up to \$100,000 of the Company's outstanding common stock. Purchases could be made from time to time in open market transactions at prevailing prices or through privately negotiated transactions.

retirement, 854,700 shares of its outstanding common stock for an aggregate cost of approximately \$25,058. Concurrent with these purchases, the Company sold to the Operating Partnership 854,700 common units for approximately \$25,058.

For the three months ended March 31, 1999, the Company purchased, for constructive retirement, 26,000 shares of its outstanding common stock for an aggregate cost of approximately \$713. Concurrent with these purchases, the Company sold to the Operating Partnership 26,000 common units for approximately \$713.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The Company filed a registration statement with the SEC for the Company's dividend reinvestment and stock purchase plan ("Plan") which was declared effective in February 1999. The Plan commenced on March 1, 1999.

STOCK OPTION PLANS

In 1994, and as subsequently amended, the Company established the Mack-Cali Employee Stock Option Plan ("Employee Plan") and the Mack-Cali Director Stock Option Plan ("Director Plan") under which a total of 5,380,188 shares (subject to adjustment) of the Company's common stock have been reserved for issuance (4,980,188 shares under the Employee Plan and 400,000 shares under the Director Plan). Stock options granted under the Employee Plan in 1994 and 1995 become exercisable over a three-year period and those options granted under the Employee Plan in 1996, 1997 and 1998 become exercisable over a five-year period. All stock options granted under the Director Plan become exercisable in one year. All options were granted at the fair market value at the dates of grant and have terms of ten years. As of March 31, 1999 and December 31, 1998, the stock options outstanding had a weighted average remaining contractual life of approximately 8.2 and 8.5 years, respectively.

Information regarding the Company's stock option plans is summarized below:

<TABLE>

<CAPTION>

	Shares Under Options	Weighted Average Exercise Price
<S>	<C>	<C>
Outstanding at January 1, 1998	3,287,290	\$31.47
Granted	1,048,620	\$35.90
Exercised	(267,660)	\$20.47
Lapsed or canceled	(128,268)	\$36.61
Outstanding at December 31, 1998	3,939,982	\$33.22
Exercised	(18,360)	\$23.89
Lapsed or canceled	(31,886)	\$31.83
Outstanding at March 31, 1999	3,889,736	\$33.28
Options exercisable at December 31, 1998	1,334,137	\$27.84
Options exercisable at March 31, 1999	1,931,873	\$30.40
Available for grant at December 31, 1998	709,223	
Available for grant at March 31, 1999	741,109	

</TABLE>

STOCK WARRANTS

The Company has outstanding a total of 400,000 warrants to purchase an equal number of shares of common stock ("Stock Warrants") at \$33 per share (the market price at date of grant). Such warrants generally vest equally over a three-year period through January 31, 2000 and expire on January 31, 2007.

The Company also has outstanding a total of 514,976 Stock Warrants to purchase an equal number of shares of common stock at \$38.75 per share (the market price at date of grant). Such warrants vest equally over a five-year period through December 12, 2002 and expire on December 12, 2007.

As of March 31, 1999 and December 31, 1998, there were 914,976 Stock Warrants outstanding. As of March 31, 1999 and December 31, 1998, there were 585,989 and 565,991 Stock Warrants exercisable, respectively. No vested Stock Warrants have been exercised or canceled.

DEFERRED STOCK COMPENSATION PLAN FOR DIRECTORS

The Deferred Compensation Plan for Directors ("Deferred Compensation Plan") commenced January 1, 1999 and is a plan which allows non-employee directors of the Company to elect to defer up to 100 percent of their annual retainer fee

into deferred stock units. The deferred stock units are convertible into an equal number of shares of common stock upon the directors' termination of service from the Board of Directors or a change in control of the Company, as defined in the plan. Deferred stock units are credited to each director quarterly using the closing price of the Company's common stock on the

24

applicable dividend record date for the respective quarter. Each participating director's account is also credited for an equivalent amount of deferred stock units based on the dividend rate for each quarter.

EARNINGS PER SHARE

FASB No. 128 requires a dual presentation of basic and diluted EPS on the face of the income statement for all companies with complex capital structures even where the effect of such dilution is not material. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The following information presents the Company's results for the three months ended March 31, 1999 and 1998 in accordance with FASB No. 128.

<TABLE>
<CAPTION>

	Three Months Ended March 31,			
	1999		1998	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
<S>	<C>	<C>	<C>	<C>
Net income	\$ 32,064	\$ 32,064	\$ 26,543	\$ 26,543
Add: Net income attributable to potentially dilutive securities	--	4,880	--	3,395
Adjusted net income	\$ 32,064	\$ 36,944	\$ 26,543	\$ 29,938
Weighted average shares	58,162	67,283	51,363	58,682
Per Share	\$ 0.55	\$ 0.55	\$ 0.52	\$ 0.51

</TABLE>

The following schedule reconciles the shares used in the basic EPS calculation to the shares used in the diluted EPS calculation.

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1999	1998
<S>	<C>	<C>
Basic EPS Shares:	58,162	51,363
Add: Operating Partnership units	8,849	6,570
Stock options	272	612
Stock Warrants	--	137
Diluted EPS Shares:	67,283	58,682

</TABLE>

Preferred Units and Contingent Units outstanding in 1999 and 1998 were not included in the computation of diluted EPS as such units were anti-dilutive during the period.

Pursuant to the Repurchase Program, during 1998, the Company purchased for constructive retirement, 854,700 shares of its outstanding common stock for approximately \$25,058. Additionally, during the three months ended March 31, 1999, the Company purchased for constructive retirement, 26,000 shares of its outstanding common stock for approximately \$713.

The Company operates in one business segment - real estate. The Company provides leasing, management, acquisition, development, construction and tenant-related services for its portfolio. The Company does not have any foreign operations. The accounting policies of the segments are the same as those described in Note 2, excluding straight-line rent adjustments and depreciation and amortization.

The Company evaluates performance based upon net operating income from the combined properties in the segment.

25

Selected results of operations for the three months ended March 31, 1999 and 1998 and selected asset information as of March 31, 1999 and December 31, 1998 regarding the Company's operating segment are as follows:

<TABLE>
<CAPTION>

	Total Segment	Corporate & Other (e)	Total Company

<S>	<C>	<C>	<C>
TOTAL CONTRACT REVENUES (a):			
Three months ended:			
March 31, 1999	\$ 131,769	\$ (425)	\$ 131,344 (f)
March 31, 1998	101,600	1,019	102,619 (g)
TOTAL OPERATING AND INTEREST EXPENSES (b):			
Three months ended:			
March 31, 1999	\$ 43,155	\$ 28,952	\$ 72,107
March 31, 1998	32,946	22,796	55,742
NET OPERATING INCOME (c):			
Three months ended:			
March 31, 1999	\$ 88,614	\$ (29,377)	\$ 59,237 (f)
March 31, 1998	68,654	(21,777)	46,877 (g)
TOTAL ASSETS:			
March 31, 1999	\$ 3,468,422	\$ 30,520	\$ 3,498,942
December 31, 1998	3,430,865	21,329	3,452,194
TOTAL LONG-LIVED ASSETS (d):			
March 31, 1999	\$ 3,424,193	\$ 4,349	\$ 3,428,542
December 31, 1998	3,393,313	4,098	3,397,411

</TABLE>

- (a) Total contract revenues represents all revenues during the period (including the Company's share of net income from unconsolidated joint ventures), excluding adjustments for straight-lining of rents and the Company's share of straight-line rent adjustments from unconsolidated joint ventures. All interest income is excluded from segment amounts and is classified in Corporate and Other for all periods.
- (b) Total operating and interest expenses represents the sum of real estate taxes, utilities, operating services, general and administrative and interest expense. All interest expense (including for property-level mortgages) is excluded from segment amounts and is classified in Corporate and Other for all periods.
- (c) Net operating income represents total contract revenues [as defined in Note (a)] less total operating and interest expenses [as defined in Note (b)] for the period.
- (d) Long-lived assets is comprised of total rental property, unbilled rents receivable and investments in unconsolidated joint ventures.
- (e) Corporate & Other represents all corporate-level items (including interest income, interest expense and non-property general and administrative expense) as well as intercompany eliminations necessary to reconcile to consolidated Company totals.
- (f) Excludes \$3,563 of adjustments for straight-lining of rents and (\$18) for the Company's share of straight-line rent adjustments from unconsolidated joint ventures.
- (g) Excludes \$3,203 of adjustments for straight-lining of rents.

In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Cost of Start-Up Activities" ("SOP 98-5"), which is effective for fiscal years beginning after December 15, 1998. SOP 98-5 requires costs of start-up and organizational activities be expensed as incurred. The adoption of SOP 98-5 did not have a material effect on the Company's financial statements.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FASB No. 133"). FASB No. 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999 (January 1, 2000 for the Company). FASB No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Management of the Company anticipates that, due to its limited use of derivative instruments, the adoption of FASB No. 133 will not have a significant effect on the Company's results of operations or its financial position.

26

17. PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information for the three months ended March 31, 1999 and 1998 are presented as if all acquisitions and common stock offerings completed during the three months ended March 31, 1999 and the year ended December 31, 1998 had all occurred on January 1, 1998. In management's opinion, all adjustments necessary to reflect the effects of these transactions have been made.

This pro forma financial information is not necessarily indicative of what the actual results of operations of the Company would have been assuming such transactions had been completed as of January 1, 1998, nor do they represent the results of operations of future periods.

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1999	1998

<S>	<C>	<C>
Total revenues	\$ 134,889	\$ 128,882
Operating and other expenses	40,351	37,084
General and administrative	8,134	7,297
Depreciation and amortization	21,969	19,846
Interest expense	23,622	24,689

Income before minority interest	40,813	39,966
Minority interest	8,749	8,297

Net income	\$ 32,064	\$ 31,669

Basic earnings per common share	\$ 0.55	\$ 0.55
Diluted earnings per common share	\$ 0.55	\$ 0.54

Basic weighted average shares outstanding	58,162	57,768
Diluted weighted average shares outstanding	67,283	66,399

</TABLE>

27

ITEM 2:
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 Mack-Cali Realty Corporation and the notes thereto. Certain defined terms used herein have the meaning ascribed to them in the Consolidated Financial Statements.

THREE MONTHS ENDED MARCH 31, 1999 COMPARED TO THREE MONTHS ENDED MARCH 31, 1998

The following comparisons for the three months ended March 31, 1999 ("1999"), as compared to the three months ended March 31, 1998 ("1998") make reference to the following: (i) the effect of the "Same-Store Properties," which represents all in-service properties owned by the Company at December 31, 1997 and (ii) the effect of the "Acquired Properties," which represents all properties acquired or placed in service by the Company from January 1, 1998 through March 31, 1999.

<TABLE>
<CAPTION>

(IN THOUSANDS)	Quarter Ended March 31,		Dollar Change	Percent Change (%)
	1999	1998		

<S>	<C>	<C>	<C>	<C>
REVENUE FROM RENTAL OPERATIONS:				
Base rents	\$116,080	\$92,916	\$23,164	24.9%
Escalations and recoveries from tenants	14,860	10,357	4,503	43.5
Parking and other	3,900	1,981	1,919	96.9

Sub-total	134,840	105,254	29,586	28.1
Interest income	255	544	(289)	(53.1)
Equity in (loss) earnings of unconsolidated joint ventures	(206)	25	(231)	(924.0)

Total revenues	134,889	105,823	29,066	27.5

PROPERTY EXPENSES:				
Real estate taxes	13,843	10,073	3,770	37.4
Utilities	9,592	8,301	1,291	15.6
Operating services	16,916	12,693	4,223	33.3

Sub-total	40,351	31,067	9,284	29.9
General and administrative	8,134	6,196	1,938	31.3
Depreciation and amortization	21,969	16,231	5,738	35.4
Interest expense	23,622	18,480	5,142	27.8

Total expenses	94,076	71,974	22,102	30.7

Income before minority interest	40,813	33,849	6,964	20.6
Minority interest	8,749	7,306	1,443	19.8

Net income	\$ 32,064	\$ 26,543	\$ 5,521	20.8%

</TABLE>

The following is a summary of the changes in revenue from rental operations and property expenses divided into Acquired Properties and Same-Store Properties (in thousands).

	TOTAL COMPANY		ACQUIRED PROPERTIES		SAME-STORE PROPERTIES	
	DOLLAR CHANGE	PERCENT CHANGE	DOLLAR CHANGE	PERCENT CHANGE	DOLLAR CHANGE	PERCENT CHANGE

<S>	<C>	<C>	<C>	<C>	<C>	<C>
REVENUE FROM RENTAL OPERATIONS:						
Base rents	\$23,164	24.9%	\$19,094	20.5%	\$4,070	4.4%
Escalations and recoveries from tenants	4,503	43.5	2,048	19.8	2,455	23.7
Parking and other	1,919	96.9	753	38.0	1,166	58.9

Total	\$29,586	28.1%	\$21,895	20.8%	\$7,691	7.3%

PROPERTY EXPENSES:						
Real estate taxes	\$3,770	37.4%	\$3,063	30.4%	\$ 707	7.0%
Utilities	1,291	15.6	1,577	19.0	(286)	(3.4)
Operating services	4,223	33.3	3,363	26.5	860	6.8

Total	\$ 9,284	29.9%	\$ 8,003	25.8%	\$1,281	4.1%

OTHER DATA:						
Number of wholly-owned properties	248		59		189	
Square feet (in thousands)	26,968		5,003		21,965	

Base rents for the Same-Store Properties increased \$4.1 million, or 4.4 percent, for 1999 as compared to 1998, due primarily to occupancy and rental rate increases in 1999. Escalations and recoveries from tenants for the Same-Store Properties increased \$2.5 million, or 23.7 percent, for 1999 over 1998, due to the recovery of an increased amount of total property expenses, as well as additional settle-up billings in 1999. Parking and other income for the Same-Store Properties increased \$1.2 million, or 58.9 percent, which is primarily attributable to \$1.1 million of lease termination fees in 1999.

Real estate taxes on the Same-Store Properties increased \$0.7 million, or 7.0 percent, for 1999 as compared to 1998, due primarily to property tax rate increases in certain municipalities in 1999. Utilities for the Same-Store Properties decreased \$0.3 million, or 3.4 percent, for 1999 as compared to 1998, due primarily to decreased electric rates and usage in 1999. Operating services for the Same-Store Properties increased \$0.9 million, or 6.8 percent, due primarily to increased snow removal costs incurred at the Same-Store Properties in 1999.

Equity in (loss) earnings of unconsolidated joint ventures decreased \$0.2 million in 1999 as compared to 1998. This is due to additional organizational and depreciation expense at certain of the joint ventures in which the Company has an interest (see Note 4 to the Financial Statements).

Interest income decreased by approximately \$0.3 million, or 53.1 percent, for 1999 as compared to 1998. This decrease was due primarily to repayment by a borrower of a mortgage note receivable in 1998 with no interest income from mortgage note receivables in 1999.

General and administrative increased by \$1.9 million, or 31.3 percent for 1999 as compared to 1998. This increase is due primarily to an increase in payroll and related costs as a result of the Company's expansion in 1998.

Depreciation and amortization increased by \$5.7 million, or 35.4 percent, for 1999 over 1998. Of this increase, \$4.5 million or 28.1 percent, is attributable to the Acquired Properties, and \$1.2 million, or 7.3 percent, is due to the Same-Store Properties.

Interest expense increased \$5.1 million, or 27.8 percent, for 1999 as compared to 1998. This increase is due primarily to net additional drawings from the Company's revolving credit facilities generally as a result of Company acquisitions in 1998, offset by a reduction in LIBOR in 1999 and the reduction in spread over LIBOR due to the 1998 Unsecured Facility signed in April 1998.

Income before minority interest increased to \$40.8 million in 1999 from \$33.8 million in 1998. The increase of \$7.0 million is due to the factors discussed above.

Net income increased by \$5.5 million for 1999, from \$26.5 million in 1998 to \$32.0 million in 1999. This increase is a result of an increase in income before minority interest of \$7.0 million (as discussed above), offset by an increase of \$1.4 million in minority interest.

LIQUIDITY AND CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

During the three months ended March 31, 1999, the Company generated \$59.7 million in cash flows from operating activities, and together with \$683.7 million in borrowings from the Company's revolving credit facilities, issuance of unsecured notes and funds from additional mortgage debt, \$0.4 million in proceeds from stock options exercised, \$1.0 million in distributions received from unconsolidated joint ventures, used an aggregate of approximately \$744.9 million to acquire properties and land parcels and pay for other tenant and building improvements totaling \$21.7 million, repay outstanding borrowings on its revolving credit facilities and other mortgage debt of \$646.8 million, pay quarterly dividends and distributions of \$40.6 million, invest \$22.5 million in unconsolidated joint ventures, repurchase 26,000 shares of its outstanding common stock for \$0.7 million, pay deferred financing costs of \$5.6 million, \$0.4 million to restricted cash and increase the Company's cash and cash equivalents balance by \$6.6 million.

CAPITALIZATION

During the three months ended March 31, 1999, in conjunction with the redemption of certain of the contingent units issued in the Mack Transaction, the Company issued a total of 189,552 common units with a total value of approximately \$5.6 million at time of issuance.

In August 1998, the Board of Directors of the Company authorized a share repurchase program under which the Company was permitted to purchase up to \$100.0 million of the Company's outstanding common stock. Purchases could be made from time to time in open market transactions at prevailing prices or through privately negotiated transactions. Subsequently, through March 31, 1999, the Company purchased, for constructive retirement, 880,700 shares of its outstanding common stock for an aggregate cost of approximately \$25.8 million. Concurrent with these purchases, the Company sold to the Operating Partnership 880,700 common units for approximately \$25.8 million.

As of March 31, 1999, the Company's total indebtedness of \$1.5 billion (weighted average interest rate of 7.12 percent) was comprised of \$190.8 million of revolving credit facility borrowings and other variable rate mortgage debt (average rate of 5.82 percent), fixed rate debt of \$1.3 billion (average rate of 7.30 percent), and a Contingent Obligation of \$6.3 million.

As of March 31, 1999, the Company had outstanding borrowings of \$110.6 million under its revolving credit facilities (with aggregate borrowing capacity of \$1.1 billion). The outstanding borrowings were comprised of \$110.6 million from the 1998 Unsecured Facility, with no outstanding borrowings on its Prudential Facility. The 1998 Unsecured Facility, with 28 lender banks, carries an interest rate of 90 basis points over LIBOR and matures in April 2001. The Prudential Facility carries an interest rate of 110 basis points over LIBOR and matures in March 31, 2000.

The terms of the 1998 Unsecured Facility include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the maximum leverage ratio, the maximum amount of secured indebtedness, the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90 percent of funds from operations for such period, subject to certain other adjustments. The 1998 Unsecured Facility also requires a 17.5 basis point fee on the unused balance payable quarterly in arrears.

The terms of the Senior Unsecured Notes include certain restrictions and covenants which require compliance with financial ratios relating to the maximum amount of debt leverage, the maximum amount of secured indebtedness, the minimum amount of debt service coverage and the maximum amount of unsecured debt as a percent of unsecured assets.

The Company has three investment grade credit ratings. Duff & Phelps Credit Rating Co. ("DCR") and Standard & Poors Rating Services ("S&P") have each assigned their BBB rating to the recently-issued \$600.0 million of Senior Unsecured Notes of the Operating Partnership. DCR and S&P have also assigned their BBB- rating to prospective preferred stock offerings of the Company. Moody's Investors Service has assigned its Baa3 rating to the Senior Unsecured Notes and its Bal rating to prospective preferred stock offerings of the Company.

In May 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 6.285 percent per annum on a notional amount of \$24.0 million through August 1999.

In October 1998, the Company entered into a forward treasury rate lock agreement with a commercial bank. The agreement locked an interest rate of 4.089 percent per annum for the three-year U.S. Treasury Note effective November 4, 1999, on

30

a notional amount of \$50.0 million. The agreement will be used to fix the Index Rate on \$50.0 million of the Harborside Mortgages, for which the Company's interest rate re-sets for three years beginning November 4, 1999 to the interpolated three-year U.S. Treasury Note plus 110 basis points (see Note 9 to the Financial Statements - "Property Mortgages - Harborside-Plaza I").

As of March 31, 1999, the Company had 172 unencumbered properties, totaling 16.7 million square feet, representing 61.9 percent of the Company's total portfolio on a square footage basis. \$335.3 million of the Company's mortgage debt, encumbering 55 properties, aggregating 5.4 million square feet (20.2 percent of Company's portfolio), may be converted to unsecured debt at the Company's option. The Company is currently reviewing its options to convert any of the mortgage debt to unsecured debt.

The Company has an effective shelf registration statement with the SEC for an aggregate amount of \$2.0 billion in equity securities of the Company. The Company and Operating Partnership also have an effective shelf registration statement with the SEC for an aggregate of \$2.0 billion in debt securities, preferred stock and preferred stock represented by depositary shares, under which the Operating Partnership has issued \$600.0 million of Senior Unsecured Notes. The Company also has an effective registration statement with the SEC for a dividend reinvestment and stock purchase plan which commenced on March 1, 1999.

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 borrowings under its revolving credit facilities and other debt and equity financing.

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 1998 Unsecured Facility and the Prudential Facility. The Company is frequently examining potential property acquisitions and, at any given time, one or more of such acquisitions may be under consideration. Accordingly, the ability 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 revolving credit facilities) and the issuance of additional debt or equity securities. In addition, the Company anticipates utilizing the 1998 Unsecured Facility and the Prudential Facility primarily to fund property acquisitions.

The Company's first public debt issuance increased the weighted average term to maturity for the Company's indebtedness from 4.2 to 6.3 years. The Company refinanced \$35.9 million of its property mortgages which matured in the first quarter of 1999 with \$45.5 million of new mortgage debt. The Company does not intend to reserve funds to retire its Senior Unsecured Notes, TIAA Mortgage, Harborside mortgages, \$150.0 Million Prudential Mortgage Loan, its other property mortgages or other long-term 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 or debt

securities. The Company is reviewing various refinancing options, including the issuance of additional unsecured public debt, preferred stock, and/or obtaining additional mortgage debt, some or all of which may be completed during 1999. 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 REIT, the Company must make annual distributions to its stockholders of at least 95 percent of its REIT taxable income, determined without regard to the dividends paid deduction and by excluding 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 \$128.5 million on an annualized 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.

31

SIGNIFICANT TENANTS

The following table sets out a schedule of the Company's 20 largest tenants, for the Company's wholly-owned properties as of March 31, 1999, based upon annualized base rents:

<TABLE>
<CAPTION>

Year of Lease Expiration	Number of Properties	Annualized Base Rental Revenue (\$)	Percentage of Company Annualized Base Rental Revenue (%)	Square Feet Leased	Percentage of Total Company Leased Sq.Ft. (%)
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
AT&T Corporation 2009(2)	5	13,408,239	3.1	971,501	3.8
Donaldson, Lufkin & Jenrette Securities Corp. 2009	1	7,943,706	1.8	420,672	1.6
AT&T Wireless Services 2007(3)	2	7,826,368	1.8	365,593	1.4
International Business Machines Corporation 2007(4)	6	7,639,928	1.7	396,912	1.6
Nabisco Inc. 2000(11)	3	5,921,014	1.4	321,735	1.3
Allstate Insurance Company 2009(5)	9	5,839,839	1.3	270,796	1.1
Prentice-Hall Inc. 2014	1	5,794,893	1.3	474,801	1.9
Dow Jones Telerate Systems Inc. 2006(6)	1	5,610,924	1.3	291,762	1.1
Toys 'R' US - NJ, Inc. 2012	1	5,342,672	1.2	242,518	0.9
American Institute of Certified Public Accountants 2012	1	4,981,357	1.1	249,768	1.0
CMP Media Inc 2014	1	4,826,107	1.1	206,274	0.8
Board of Gov./Federal Reserve 2009(7)	1	4,593,946	1.0	117,008	0.5
Winston & Strawn 2003	1	4,214,885	1.0	108,100	0.4
KPMG Peat Marwick, LLP 2007(8)	2	3,510,412	0.8	161,760	0.6
Bankers Trust Harborside Inc. 2003	1	3,272,500	0.7	385,000	1.5
Morgan Stanley Dean Witter 2008	1	3,188,532	0.7	179,131	0.7
Dean Witter Reynolds Inc. 2008(9)	4	3,163,872	0.7	137,181	0.5
Deloitte & Touche USA LLP 2000	1	3,162,933	0.7	118,864	0.5
PNC Bank N.A.	4	3,054,754	0.7	149,930	0.6

2004 (10)					
NTT Data Corporation	1	3,047,364	0.7	136,960	0.5
2005					

Totals	47	106,344,245	24.1	5,706,266	22.3

</TABLE>

- (1) Annualized base rental revenue is based on actual March 1999 billings times 12. For leases whose rent commences after March 31, 1999, annualized base rental revenue is based on the first month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.
- (2) 39,183 square feet expire February 2000; 66,268 square feet expire December 2000; 3,950 square feet expire August 2002; 475,100 square feet expire January 2008; 387,000 square feet expire January 2009.
- (3) 341,512 square feet expire March 2007; 24,081 square feet expire June 2007.
- (4) 6,542 square feet expired April 1999; 29,157 square feet expire October 2000; 85,000 square feet expire December 2000; 26,749 square feet expire January 2002; 1,065 square feet expire November 2002; 248,399 square feet expire December 2007.
- (5) 22,444 square feet expire July 2001; 70,517 square feet expire June 2002; 71,030 square feet expire September 2002; 18,882 square feet expire April 2003; 2,867 square feet expire January 2004; 36,305 square feet expire January 2005; 6,108 square feet expire August 2006; 31,143 square feet expire April 2008; 11,500 square feet expire January 2009.
- (6) 241,875 square feet expire June 2000; 4,700 square feet expire March 2001; 45,187 square feet expire June 2006.
- (7) 94,719 square feet expire May 2005; 22,289 square feet expire June 2009.
- (8) 104,556 square feet expire September 2002; 57,204 square feet expire July 2007.
- (9) 19,390 square feet expire October 2002; 13,140 square feet expire April 2005; 85,151 square feet expire February 2008; 19,500 square feet expire June 2008.
- (10) 23,337 square feet expire October 1999; 107,320 square feet expire February 2000; 15,802 square feet expire August 2003; 3,471 square feet expire October 2004.
- (11) 21,357 square feet expired April 1999; 300,378 square feet expire December 2000.

SCHEDULE OF LEASE EXPIRATIONS

The following table sets forth a schedule of the lease expirations for the total of the Company's wholly-owned office, office/flex, industrial/warehouse and stand-alone retail properties beginning April 1, 1999, assuming that none of the tenants exercises renewal options:

<TABLE>
<CAPTION>

Percentage Of Base Under Year Of Expiration (%)	Number Of Leases Expiring (1)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%) (2)	Annualized	Average Annual Rent Per Net Rentable	
				Base Rental Revenue Under Expiring Leases (\$) (3)	Square Foot Represented By Expiring Leases (\$)	Annual Rent Expiring Leases
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999.....	448	1,884,975	7.4	33,276,342	17.65	
7.6						

2000..... 15.6	493	4,017,431	15.7	68,359,287	17.02
2001..... 10.9	494	2,907,231	11.4	47,555,276	16.36
2002..... 13.2	415	3,313,258	13.0	57,608,796	17.39
2003..... 14.8	371	3,797,112	14.9	64,595,040	17.01
2004..... 6.4	142	1,678,964	6.6	27,884,297	16.61
2005..... 6.2	82	1,349,712	5.3	27,029,713	20.03
2006..... 3.3	41	783,333	3.1	14,637,476	18.69
2007..... 5.1	33	1,166,028	4.6	22,334,897	19.15
2008..... 5.1	31	1,432,805	5.6	22,389,008	15.63
2009..... 4.7	22	1,177,992	4.6	20,700,599	17.57
2010 and thereafter 7.1	31	2,057,294	7.8	31,534,238	15.33

Totals/Weighted
Average 2,603 25,566,135 100.0(4) 437,904,969 17.13

</TABLE>

- (1) Includes office, office/flex, industrial/warehouse and stand-alone retail property tenants only. Excludes leases for amenity, retail, parking and month-to-month tenants. Some tenants have multiple leases.
- (2) Excludes all space vacant as of March 31, 1999.
- (3) Annualized base rental revenue is based on actual March 1999 billings times 12. For leases whose rent commences after March 31, 1999, annualized base rental revenue is based on the first month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.
- (4) Reconciliation to Company's total net rentable square footage is as follows:

TOTAL	SQUARE FEET	PERCENTAGE OF
-----	-----	-----
<S>	<C>	<C>
Square footage leased to commercial tenants	25,566,135	95.0%
Square footage used for corporate offices, management offices, building use, retail tenants, food services, other ancillary service tenants and occupancy adjustments	445,142	1.7
Square footage vacant	889,404	3.3
-----	-----	-----
Total net rentable square footage (does not include residential, land lease, retail or not-in-service properties)	26,900,681	100.0%
-----	-----	-----

</TABLE>

The following table sets forth a schedule of the lease expirations for the office properties beginning April 1, 1999, assuming that none of the tenants exercises renewal options:

<TABLE>
<CAPTION>

Percentage Of Base Under Year Of Expiration (%)	Number Of Leases Expiring (1)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%) (2)	Annualized Base Rental Revenue Under Expiring Leases (\$) (3)	Average Annual Rent Per Net Rentable	
					Square Foot Represented By Expiring Leases (\$)	Annual Rent Expiring Leases
1999..... 7.5	383	1,502,808	7.0	29,314,776	19.51	
2000..... 15.6	415	3,375,681	15.8	61,242,703	18.14	
2001..... 10.4	407	2,295,765	10.7	40,600,886	17.69	
2002..... 12.7	334	2,576,445	12.0	49,711,432	19.29	
2003..... 15.0	311	3,211,325	15.0	58,823,737	18.32	
2004..... 6.1	114	1,320,047	6.2	23,785,246	18.02	
2005..... 6.3	63	1,130,145	5.3	24,524,486	21.70	
2006..... 2.9	34	589,841	2.8	11,345,970	19.24	
2007..... 5.3	28	1,054,347	4.9	20,761,913	19.69	
2008..... 5.6	29	1,330,945	6.2	21,924,500	16.47	
2009..... 5.0	18	1,105,892	5.2	19,661,379	17.78	
2010 and thereafter 7.6	26	1,925,598	8.9	29,963,689	15.56	
Totals/Weighted Average 100.0	2,162	21,418,839	100.0	391,660,717	18.29	

</TABLE>

- (1) Includes office tenants only. Excludes leases for amenity, retail, parking and month-to-month office tenants. Some tenants have multiple leases.
- (2) Excludes all space vacant as of March 31, 1999.
- (3) Annualized base rental revenue is based on actual March 1999 billings times 12. For leases whose rent commences after March 31, 1999, annualized base rental revenue is based on the first month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.

SCHEDULE OF LEASE EXPIRATIONS: OFFICE/FLEX PROPERTIES

The following table sets forth a schedule of the lease expirations for the office/flex properties beginning April 1, 1999, assuming that none of the tenants exercises renewal options:

<TABLE>
<CAPTION>

Percentage Of Base Under Year Of Expiration (%)	Number Of Leases Expiring (1)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%) (2)	Annualized Base Rental Revenue Under Expiring Leases (\$) (3)	Average Annual Rent Per Net Rentable	
					Square Foot Represented By Expiring Leases (\$)	Annual Rent Expiring Leases
1999..... 9.2	61	376,332	10.0	3,902,146	10.37	
2000..... 15.3	73	575,706	15.3	6,455,308	11.21	
2001..... 15.0	82	579,919	15.4	6,351,835	10.95	
2002..... 18.4	80	726,663	19.4	7,792,819	10.72	
2003..... 12.6	57	494,313	13.2	5,345,550	10.81	
2004..... 5.3	21	179,897	4.8	2,245,346	12.48	
2005..... 5.9	19	219,567	5.8	2,505,227	11.41	
2006..... 7.8	7	193,492	5.2	3,291,506	17.01	
2007..... 3.7	5	111,681	3.0	1,572,984	14.08	
2008..... 1.1	2	101,860	2.7	464,508	4.56	
2009..... 2.5	4	72,100	1.9	1,039,220	14.41	
2010 and thereafter 3.2	4	123,696	3.3	1,305,549	10.55	
Totals/Weighted Average 100.0	415	3,755,226	100.0	42,271,998	11.26	

</TABLE>

(1) Includes office/flex tenants only. Excludes leases for amenity, retail, parking and month-to-month office/flex tenants. Some tenants have multiple leases.

(2) Excludes all space vacant as of March 31, 1999.

(3) Annualized base rental revenue is based on actual March 1999 billings times 12. For leases whose rent commences after March 31, 1999, annualized base rental revenue is based on the first month's billing times 12. As

annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.

SCHEDULE OF LEASE EXPIRATIONS: INDUSTRIAL/WAREHOUSE PROPERTIES

The following table sets forth a schedule of the lease expirations for the industrial/warehouse properties beginning April 1, 1999, assuming that none of the tenants exercises renewal options:

<TABLE>
<CAPTION>

Percentage Of Base Under Year Of Expiration (%)	Number Of Leases Expiring (1)	Net Rentable	Percentage Of	Annualized	Average Annual	
		Area Subject To Expiring Leases (Sq. Ft.)	Total Leased Square Feet Represented By Expiring Leases (%) (2)	Base Rental Revenue Under Expiring Leases (\$) (3)	Rent Per Net Rentable Square Foot Represented By Expiring Leases (\$)	Annual Rent Expiring Leases
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999..... 1.7	4	5,835	1.6	59,420	10.18	
2000..... 18.8	5	66,044	17.6	661,276	10.01	
2001..... 17.2	5	31,547	8.4	602,555	19.10	
2002..... 3.0	1	10,150	2.7	104,545	10.30	
2003..... 12.1	3	91,474	24.4	425,753	4.65	
2004..... 47.2	6	169,720	45.3	1,658,705	9.77	
Totals/Weighted Average 100.0	24	374,770	100.0	3,512,254	9.37	

</TABLE>

- (1) Includes industrial/warehouse tenants only. Excludes leases for amenity, retail, parking and month-to-month industrial/warehouse. Some tenants have multiple leases.
- (2) Excludes all space vacant as of March 31, 1999.
- (3) Annualized base rental revenue is based on actual March 1999 billings times 12. For leases whose rent commences after March 31, 1999, annualized base rent revenue is based on the first month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, the historical results may differ from those set forth above.

SCHEDULE OF LEASE EXPIRATIONS: STAND-ALONE RETAIL PROPERTIES

The following table sets forth a schedule of the lease expirations for the stand-alone retail properties beginning January 1, 1999, assuming that none of the tenants exercises renewal options:

<TABLE>
<CAPTION>

Percentage Of	Net Rentable	Percentage Of	Annualized	Average Annual
		Total Leased		Rent Per Net
				Rentable

Base Under Year Of Expiration (%)	Number Of Leases Expiring (1)	Area Subject To Expiring Leases (Sq. Ft.)	Square Feet Represented By Expiring Leases (%)	Base Rental Revenue Under Expiring Leases (\$) (2)	Square Foot Represented By Expiring Leases (\$)	Annual Rent Expiring Leases
<S> <C> 2004..... 42.4	1	9,300	53.8	195,000	20.97	
2012 57.6	1	8,000	46.2	265,000	33.13	

Totals/Weighted Average 100.0	2	17,300	100.0	460,000	26.59	

</TABLE>						

- (1) Includes stand-alone retail property tenants only.
(2) Annualized base rental revenue is based on actual March 1999 billings times 12. For leases whose rent commences after March 31, 1999 annualized base rental revenue is based on the first month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.

36

FUNDS FROM OPERATIONS

The Company considers funds from operations ("FFO"), after adjustment for 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 ("GAAP"), excluding gains (or losses) from debt restructuring, other extraordinary and significant non-recurring items, 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 presented herein is not necessarily comparable to funds from operations presented by other real estate companies due to the fact that not all real estate companies use the same definition. However, the Company's funds from operations is comparable to the funds from operations of real estate companies that use the current definition of the National Association of Real Estate Investment Trusts ("NAREIT"), after the adjustment for straight-lining of rents.

NAREIT's definition of funds from operations indicates that the calculation should be made before any extraordinary item (determined in accordance with GAAP), and before any deduction of significant non-recurring events that materially distort the comparative measurement of the Company's performance.

Funds from operations for the three months ended March 31, 1999 and 1998 as calculated in accordance with NAREIT's definition as published in March 1995, after adjustment for straight-lining of rents, are summarized in the following table (in thousands):

	Three Months Ended March 31,	
	1999	1998
<S>	<C>	<C>
Income before distributions to to preferred unitholders and minority interest	\$ 40,813	\$ 33,849
Add: Real estate-related depreciation and amortization (1)	22,951	16,120
Deduct: Rental income adjustment for straight-lining of rents (1)	(3,545)	(3,203)

Funds from operations, after adjustment

for straight-lining of rents, before distributions to preferred unitholders	\$ 60,219	\$ 46,766
Deduct: Distributions to preferred unitholders	(3,869)	(3,911)

Funds from operations, after adjustment for straight-lining of rents, after distributions to preferred unitholders	\$ 56,350	\$ 42,855

Cash flows provided by operating activities	\$ 59,654	\$ 50,358
Cash flows used in investing activities	\$ (43,459)	\$ (444,615)
Cash flows (used in) provided by financing activities	\$ (9,598)	\$ 403,270

Basic weighted average shares/units outstanding (2)	67,011	57,933

Diluted weighted average shares/units outstanding (2)	73,975	65,371

</TABLE>

- (1) Includes FFO adjustments related to the Company's investments in unconsolidated joint ventures.
(2) See calculations for the amounts presented in the following reconciliation.

37

The following schedule reconciles the Company's basic weighted average shares to the basic and diluted weighted average shares/units presented above:

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1999	1998

<S>	<C>	<C>
Basic weighted average shares:	58,162	51,363
Add: Weighted average common units	8,849	6,570

Basic weighted average shares/units:	67,011	57,933
Add: Weighted average preferred units (after conversion to common units)	6,692	6,689
Stock options	272	612
Stock warrants	--	137

Diluted weighted average shares/units:	73,975	65,371

</TABLE>

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.

DISRUPTION IN OPERATIONS DUE TO YEAR 2000 PROBLEMS.

GENERAL

The Year 2000 issue is the result of computer programs and embedded chips using a two-digit format, as opposed to four digits, to indicate the year. Such computer systems may be unable to interpret dates beyond the year 1999, which could cause a system failure or other computer errors, leading to disruptions in operations. We have developed a three-phase Year 2000 project (the "Project") to

determine our Year 2000 systems compliance. Phase I is to identify those systems with which we have exposure to Year 2000 issues. Phase II is the development and implementation of action plans to be Year 2000 compliant in all areas by early 1999. Phase III, to be completed by mid-1999, is the final testing of each major area of exposure to assure compliance. We have identified three major areas critical for successful Year 2000 compliance: (i) our central accounting and operating computer system at our Cranford, New Jersey headquarters and local networks and related systems in our regional offices, (ii) inquiries of our tenants and key vendors as to their Year 2000 readiness and (iii) assessment of our individual buildings as to the Year 2000 readiness of their operating systems. We believe that progress in all such areas is proceeding on schedule and that we will experience no material adverse effect as a result of the Year 2000 issue. There can, however, be no assurance that this will be the case. Set forth below is a more detailed analysis of the Project and its anticipated impact on us.

CENTRAL ACCOUNTING AND OPERATING SYSTEMS

We have completed a review of key computer hardware and software and other equipment, and have modified, upgraded or replaced all identified hardware and equipment in our corporate and regional offices that we believe may be affected by problems associated with Year 2000. Such hardware includes desktop and laptop computers, servers, printers, telecopier machines and telephones. We, as part of our routine modernization efforts, have completed necessary upgrades to identified secondary software systems, such as word processing, spreadsheet applications, telephone voicemail systems and computer calendar programs. The software supplier of our accounting system completed its Year 2000 upgrade and supplied us with Year 2000 compliant software at no cost to us. We anticipate internal testing of such software to be completed by July 1999.

TENANT COMPLIANCE

We believe that the completion of the Project as scheduled will minimize Year 2000 related issues in our internal operations. However, we may still be adversely impacted by Year 2000 related issues as a result of problems outside our control, such as the inability of tenants to pay rent when due. In order to gauge such risk, we sent questionnaires to each of our then existing tenants in August 1998 to assess their Year 2000 compliance status. The responses to these questionnaires continue to be received, reviewed and evaluated. Based on the responses received, we do not anticipate any material adverse impact on the orderly payment of monthly rent. Therefore, while there can be no assurance that Year 2000 problems of tenants will not have a material adverse effect on our operating results or financial condition, the information available to us indicates such an occurrence is not likely.

PROPERTY COMPLIANCE

Our property managers have completed Phase I of the Project, a building by building survey of all of our properties to determine whether building support systems such as heat, power, light, security, garages and elevators will be affected by

38

the advent of the Year 2000. Most of such systems either are already Year 2000 compliant or contain no computerized parts. Our property managers are currently completing Phase II of the Project, the development and implementation of action plans to modify, upgrade or replace non-compliant building systems. Once installed, these building systems will be tested for compliance pursuant to Phase III of the Project.

We have communicated with vendors of building systems or other services to our buildings regarding their Year 2000 compliance. In many instances, we will rely on the written representations from these vendors regarding the Year 2000 compliance of their product or service. We are also relying on assurances requested from utility providers of their Year 2000 compliance and their continued ability to provide uninterrupted service to our buildings. We anticipate incurring a total cost of approximately \$1.0 million in costs to modify, upgrade and/or replace identified building support systems for Year 2000 compliance.

WORST CASE EXPOSURE

We are aware that it is generally believed that the Year 2000 problem, if uncorrected, may result in a worldwide economic crisis. We are unable to determine whether such predictions are true or false. However, if such predictions prove true, we assume that all companies (including ours) will experience the effects in one way or another. The most reasonably likely worst case scenario we anticipate in connection with the Year 2000 issue relates to the failure of the upgrade to our accounting system to effectively become Year 2000 compliant. We believe that such an event is unlikely, but an occurrence of the foregoing might have a material adverse impact on our operations. We cannot currently assess the financial impact of such a worst case scenario.

CONTINGENCY PLANS

We are developing contingency plans to address the Year 2000 non-compliance of (i) critical building support systems and (ii) our accounting system.

CRITICAL BUILDING SYSTEMS. We believe that the failure of any of the following critical building support systems due to Year 2000 issues could have a material adverse impact on the performance of an individual building: security systems, elevator systems or fire/life safety systems. We believe that in the event of a Year 2000 related failure in a building security system, we would be able to maintain adequate security at the building through the use of security guards. We believe that in the event of a Year 2000 related failure in a building elevator system, adequate access would exist at most of our buildings through existing stairways. We believe that in the event of a Year 2000 related failure in a building fire/life safety system, our property management staff would be able to manually operate such system.

ACCOUNTING SOFTWARE. We believe that failure of the Year 2000 compliance upgrade to our accounting software might have a material adverse impact on our operations. However, we believe that financial data within any given fiscal year will remain intact and retrievable. We believe that alternative accounting software and/or manual bookkeeping would minimize the impact of a Year 2000 related failure of our current accounting software.

RISKS

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect our results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party vendors and tenants, we are unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on our results of operations, liquidity or financial condition. The Project is expected to significantly reduce our level of uncertainty about the Year 2000 problem. We believe that, with the implementation and completion of the Project as scheduled, the possibility of significant interruptions of normal operations should be reduced.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

The Company considers portions of this information to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of The Securities Exchange Act of 1934. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Approximately \$1.3 billion of the Company's long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The following table presents principal cash flows (in thousands) based upon maturity dates of the debt obligations and the related weighted-average interest rates by expected maturity dates for the fixed rate debt. The interest rate on the variable rate debt as of March 31, 1999 ranged from LIBOR plus 0.65% to LIBOR plus 0.90%.

MARCH 31, 1999

<TABLE>
<CAPTION>
LONG-TERM DEBT,
FAIR
INCLUDING CURRENT PORTION
VALUE

	1999	2000	2001	2002	2003	THEREAFTER	TOTAL
Fixed Rate.....	\$2,296	\$8,755	\$ 7,794	\$11,637	\$211,151	\$1,025,343	\$1,266,976
\$1,270,610							
Average Interest Rate.....	7.65%	6.77%	7.27%	7.09%	7.31%	7.27%	7.30%
Variable Rate.....	\$8,000		\$110,600			\$ 72,204	\$ 190,804
190,804							

</TABLE>

MACK-CALI REALTY CORPORATION

PART II -- OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Reference is made to "Other Contingencies" in Note 12 (Commitments and Contingencies) to the Consolidated Financial Statements, which is specifically incorporated by reference herein.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not Applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

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

Not Applicable.

Item 5. OTHER INFORMATION

Not Applicable.

MACK-CALI REALTY CORPORATION

PART II -- OTHER INFORMATION (CONTINUED)

ITEM 6 - EXHIBITS

(a) Exhibits

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed:

<TABLE> <CAPTION> EXHIBIT NUMBER -----	EXHIBIT TITLE -----
<S>	<C>
4.1	Indenture dated as of March 16, 1999, by and among Mack-Cali Realty, L.P., as issuer, Mack-Cali Realty Corporation, as guarantor, and Wilmington Trust Company, as trustee (filed as Exhibit 4.1 to the Company's Form 8-K dated March 16, 1999 and incorporated herein by reference).
4.2	Supplemental Indenture No. 1 dated as of March 16, 1999, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated March 16, 1999 and incorporated herein by reference).
10.1	Credit Agreement, dated as of December 10, 1997, by and among Cali Realty, L.P. and the other signatories thereto (filed as Exhibit 10.122 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).
10.2	Amendment No. 1 to Revolving Credit Agreement dated July 20, 1998, by and among Mack-Cali Realty, L.P. and The Chase Manhattan Bank, Fleet National Bank and Other Lenders Which May Become Parties Thereto (filed as Exhibit 10.5 to the Company's Form 10-K dated December 31, 1998 and incorporated herein by reference).
10.3	Amendment No. 2 to Revolving Credit Agreement dated December 30, 1998, by and among Mack-Cali Realty, L.P. and The Chase Manhattan Bank, Fleet National Bank and Other Lenders Which May Become Parties Thereto (filed as Exhibit 10.6 to the Company's Form 10-K dated December 31, 1998 and incorporated herein by reference).

10.4 Contribution and Exchange Agreement among The MK Contributors, The MK Entities, The Patriot Contributors, The Patriot Entities, Patriot American Management and Leasing Corp., Cali Realty, L.P. and Cali Realty Corporation, dated September 18, 1997 (filed as Exhibit 10.98 to the Company's Form 8-K dated September 19, 1997 and incorporated herein by reference).

10.5 First Amendment to Contribution and Exchange Agreement, dated as of December 11, 1997, by and among the Company and the Mack Group (filed as Exhibit 10.99 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).

27 Financial Data Schedule
</TABLE>

(b) Reports on Form 8-K.

The Company did not file a Current Report on Form 8-K during the quarter ended March 31, 1999.

42

MACK-CALI REALTY CORPORATION

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.

MACK-CALI REALTY CORPORATION

(Registrant)

Date: May 5, 1999

/s/ MITCHELL E. HERSH

Mitchell E. Hersh
Chief Executive Officer

Date: May 5, 1999

/s/ BARRY LEFKOWITZ

Barry Lefkowitz
Executive Vice President &
Chief Financial Officer

43

<TABLE> <S> <C>

<ARTICLE> 5

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1998
<PERIOD-END>	MAR-31-1999
<CASH>	18,784
<SECURITIES>	0
<RECEIVABLES>	6,017
<ALLOWANCES>	757
<INVENTORY>	0
<CURRENT-ASSETS>	0
<PP&E>	3,495,175
<DEPRECIATION>	198,945
<TOTAL-ASSETS>	3,498,942
<CURRENT-LIABILITIES>	0
<BONDS>	1,457,779
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	583
<OTHER-SE>	1,455,086
<TOTAL-LIABILITY-AND-EQUITY>	3,498,942
<SALES>	0
<TOTAL-REVENUES>	134,889
<CGS>	0
<TOTAL-COSTS>	62,320
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	23,622
<INCOME-PRETAX>	40,813
<INCOME-TAX>	0
<INCOME-CONTINUING>	32,064
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	32,064
<EPS-PRIMARY>	0.55
<EPS-DILUTED>	0.55

</TABLE>