

MACK CALI REALTY CORP
Form 10-K
February 22, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

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

For the fiscal year ended December 31, 2006

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

Commission File Number: 1-13274

MACK-CALI REALTY CORPORATION

(Exact Name of Registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

22-3305147

(IRS Employer Identification No.)

343 Thornall Street, Edison, New Jersey

(Address of principal executive offices)

08837-2206

(Zip code)

(732) 590-1000

(Registrant's telephone number, including area code)

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

(Title of Each Class)

(Name of Each Exchange on Which Registered)

**Common Stock, \$0.01 par value
Preferred Share Purchase Rights**

New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of June 30, 2006, the aggregate market value of the voting stock held by non-affiliates of the registrant was \$2,384,277,179. As of February 16, 2007, the aggregate market value of the voting stock held by non-affiliates of the registrant was \$3,628,695,380. The aggregate market values were computed with references to the closing prices on the New York Stock Exchange on such dates. These calculations do not reflect a determination that persons are affiliates for any other purpose.

As of February 16, 2007, 67,792,367 shares of common stock, \$0.01 par value, of the Company ("Common Stock") were outstanding.

LOCATION OF EXHIBIT INDEX: The index of exhibits is contained herein on page number 126.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant's definitive proxy statement for fiscal year ended December 31, 2006 to be issued in conjunction with the registrant's annual meeting of shareholders expected to be held on May 23, 2007 are incorporated by reference in Part III of this Form 10-K. The definitive proxy statement will be filed by the registrant with the SEC not later than 120 days from the end of the registrant's fiscal year ended December 31, 2006.

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PART I

ITEM 1. BUSINESS

GENERAL

Mack-Cali Realty Corporation, a Maryland corporation (together with its subsidiaries, the “Company”), is a fully-integrated, self-administered and self-managed real estate investment trust (“REIT”) that owns and operates a real estate portfolio comprised predominantly of Class A office and office/flex properties located primarily in the Northeast. The Company performs substantially all commercial real estate leasing, management, acquisition, development and construction services on an in-house basis. Mack-Cali Realty Corporation was incorporated on May 24, 1994. The Company’s executive offices are located at 343 Thornall Street, Edison, New Jersey 08837-2206, and its telephone number is (732) 590-1000. The Company has an internet website at www.mack-cali.com.

As of December 31, 2006, the Company owned or had interests in 300 properties, aggregating approximately 34.3 million square feet, plus developable land (collectively, the “Properties”), which are leased to over 2,200 tenants. The Properties are comprised of: (a) 255 wholly-owned or Company-controlled properties consisting of 150 office buildings and 95 office/flex buildings aggregating approximately 28.5 million square feet, six industrial/warehouse buildings totaling approximately 387,400 square feet, two stand-alone retail properties totaling approximately 17,300 square feet, and two land leases (collectively, the “Consolidated Properties”); and (b) 44 buildings, which are primarily office properties, aggregating approximately 5.4 million square feet, and a 350-room hotel, which are owned by unconsolidated joint ventures in which the Company has investment interests. Unless otherwise indicated, all references to square feet represent net rentable area. As of December 31, 2006, the office, office/flex, industrial/warehouse and stand-alone retail properties included in the Consolidated Properties were 92.0 percent leased. Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future (including, at December 31, 2006, a lease with a commencement date substantially in the future consisting of 8,590 square feet scheduled to commence in 2009), and leases that expire at the period end date. Leases that expire as of December 31, 2006 aggregate 103,477 square feet, or 0.4 percent of the net rentable square footage. The Properties are located in seven states, primarily in the Northeast, and the District of Columbia. See Item 2: Properties.

The Company’s strategy has been to focus its operations, acquisition and development of office properties in high-barrier-to-entry markets and sub-markets where it believes it is, or can become, a significant and preferred owner and operator. The Company plans to continue this strategy by expanding through acquisitions and/or development in Northeast markets where it has, or can achieve, similar status. The Company believes that its Properties have excellent locations and access and are well-maintained and professionally managed. As a result, the Company believes that its Properties attract high quality tenants and achieve among the highest rental, occupancy and tenant retention rates within their markets. The Company also believes that its extensive market knowledge provides it with a significant competitive advantage, which is further enhanced by its strong reputation for, and emphasis on, delivering highly responsive, professional management services. See “Business Strategies.”

In May 2006, in conjunction with the completion of the Gale Company acquisition, the Company acquired The Gale Construction Company and its related companies, which offer a full complement of professional services in the areas of construction management, general contracting and advisory services.

As of December 31, 2006, executive officers and directors of the Company and their affiliates owned approximately 8.8 percent of the Company’s outstanding shares of Common Stock (including Units redeemable into shares of Common Stock). As used herein, the term “Units” refers to limited partnership interests in Mack-Cali Realty, L.P., a Delaware limited partnership (the “Operating Partnership”) through which the Company conducts its real estate

activities. The Company's executive officers have been employed by the Company and/or its predecessor companies for an average of approximately 19 years.

BUSINESS STRATEGIES

Operations

Reputation: The Company has established a reputation as a highly-regarded landlord with an emphasis on delivering quality tenant services in buildings it owns and/or manages. The Company believes that its continued success depends in part on enhancing its reputation as an operator of choice, which will facilitate the retention of current tenants and the attraction of new tenants. The Company believes it provides a superior level of service to its tenants, which should in turn, allow the Company to outperform the market with respect to occupancy rates, as well as improve tenant retention.

Communication with tenants: The Company emphasizes frequent communication with tenants to ensure first-class service to the Properties. Property management personnel generally are located on site at the Properties to provide convenient access to management and to ensure that the Properties are well-maintained. Property management's primary responsibility is to ensure that buildings are operated at peak efficiency in order to meet both the Company's and tenants' needs and expectations. Property management personnel additionally budget and oversee capital improvements and building system upgrades to enhance the Properties' competitive advantages in their markets and to maintain the quality of the Company's properties.

Additionally, the Company's in-house leasing representatives develop and maintain long-term relationships with the Company's diverse tenant base and coordinate leasing, expansion, relocation and build-to-suit opportunities within the Company's portfolio. This approach allows the Company to offer office space in the appropriate size and location to current or prospective tenants in any of its sub-markets.

Growth

The Company plans to continue to own and operate a portfolio of properties in high-barrier-to-entry markets, with a primary focus in the Northeast. The Company's primary objectives are to maximize operating cash flow and to enhance the value of its portfolio through effective management, acquisition, development and property sales strategies, as follows:

Internal Growth: The Company seeks to maximize the value of its existing portfolio through implementing operating strategies designed to produce the highest effective rental and occupancy rates and lowest tenant installation cost within the markets that it operates. The Company continues to pursue internal growth through re-leasing space at higher effective rents with contractual rent increases and developing or redeveloping space for its diverse base of high credit tenants, including New Cingular Wireless PCS LLC, Morgan Stanley and The United States of America - GSA. In addition, the Company seeks economies of scale through volume discounts to take advantage of its size and dominance in particular sub-markets, and operating efficiencies through the use of in-house management, leasing, marketing, financing, accounting, legal, development and construction services.

Acquisitions: The Company also believes that growth opportunities exist through acquiring operating properties or properties for redevelopment with attractive returns in its core Northeast sub-markets where, based on its expertise in leasing, managing and operating properties, it believes it is, or can become, a significant and preferred owner and operator. The Company intends either directly or through joint ventures to acquire, invest in or redevelop additional properties that: (i) are expected to provide attractive initial yields with potential for growth in cash flow from operations; (ii) are well-located, of high quality and competitive in their respective sub-markets; (iii) are located in its existing sub-markets or in sub-markets in which the Company can become a significant and preferred owner and operator; and (iv) it believes have been under-managed or are otherwise capable of improved performance through intensive management, capital improvements and/or leasing that should result in increased effective rental and occupancy rates.

Development: The Company seeks to selectively develop additional properties either directly or through joint ventures where it believes such development will result in a favorable risk-adjusted return on investment in coordination with the above operating strategies. Such development primarily will occur: (i) when leases have been executed prior to construction; (ii) in stable core Northeast sub-markets where the demand for such space exceeds available supply; and (iii) where the Company is, or can become, a significant and preferred owner and operator.

Property Sales: While management's principal intention is to own and operate its properties on a long-term basis, it periodically assesses the attributes of each of its properties, with a particular focus on the supply and demand fundamentals of the sub-markets in which they are located. Based on these ongoing assessments, the Company may,

from time to time, decide to sell any of its properties.

Financial

The Company currently intends to maintain a ratio of debt-to-undepreciated assets (total debt of the Company as a percentage of total undepreciated assets) of 50 percent or less. As of December 31, 2006, the Company's total debt constituted

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approximately 41.4 percent of total undepreciated assets of the Company. The Company has three investment grade credit ratings. Standard & Poor's Rating Services ("S&P") and Fitch, Inc. ("Fitch") have each assigned their BBB rating to existing and prospective senior unsecured debt of the Operating Partnership. S&P and Fitch have also assigned their BBB- rating to existing and prospective preferred stock offerings of the Company. Moody's Investors Service ("Moody's") has assigned its Baa2 rating to existing and prospective senior unsecured debt of the Operating Partnership and its Baa3 rating to existing and prospective preferred stock offerings of the Company. Although there is no limit in the Company's organizational documents on the amount of indebtedness that the Company may incur or a requirement for the maintenance of investment grade credit ratings, the Company has entered into certain financial agreements which contain covenants that limit the Company's ability to incur indebtedness under certain circumstances. The Company intends to conduct its operations so as to best be able to maintain its investment grade rated status. The Company intends to utilize the most appropriate sources of capital for future acquisitions, development, capital improvements and other investments, which may include funds from operating activities, proceeds from property and land sales, short-term and long-term borrowings (including draws on the Company's revolving credit facility), and the issuance of additional debt or equity securities.

EMPLOYEES

As of December 31, 2006, the Company had approximately 540 full-time employees.

COMPETITION

The leasing of real estate is highly competitive. The Properties compete for tenants with lessors and developers of similar properties located in their respective markets primarily on the basis of location, rent charged, services provided, and the design and condition of the Properties. The Company also experiences competition when attempting to acquire or dispose of real estate, including competition from domestic and foreign financial institutions, other REITs, life insurance companies, pension trusts, trust funds, partnerships, individual investors and others.

REGULATIONS

Many laws and governmental regulations are applicable to the Properties and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently.

Under various laws and regulations relating to the protection of the environment, an owner of real estate may be held liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in the property. These laws often impose liability without regard to whether the owner was responsible for, or even knew of, the presence of such substances. The presence of such substances may adversely affect the owner's ability to rent or sell the property or to borrow using such property as collateral and may expose it to liability resulting from any release of, or exposure to, such substances. Persons who arrange for the disposal or treatment of hazardous or toxic substances at another location may also be liable for the costs of re-moval or remediation of such substances at the disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for the release of asbestos-containing materials into the air, and third parties may also seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials and other hazardous or toxic substances.

In connection with the ownership (direct or indirect), operation, management and development of real properties, the Company may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, potentially liable for removal or remediation costs, as well as certain other related costs, including governmental penalties and injuries to persons and property.

There can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability, (ii) the current environmental condition of the Properties will not be affected by tenants, by the condition of land or operations in the vicinity of the Properties (such as the presence of underground storage tanks), or by third parties unrelated to the Company, or (iii) the Company's assessments reveal all environmental liabilities and that there are no material environmental liabilities of which the Company is aware. If compliance with the various laws and regulations, now existing or hereafter adopted, exceeds the Company's budgets for such items, the Company's ability to make expected distributions to stockholders could be adversely affected.

There are no other laws or regulations which have a material effect on the Company's operations, other than typical federal, state and local laws affecting the development and operation of real property, such as zoning laws.

INDUSTRY SEGMENTS

The Company operates in two industry segments: (i) real estate; and (ii) construction services. As of December 31, 2006, the Company does not have any foreign operations and its business is not seasonal. In May 2006, in conjunction with the Company's acquisition of the Gale Company and related businesses, the Company acquired a business specializing solely in construction and related services whose operations comprise the Company's construction services segment. Please see our financial statements attached hereto and incorporated by reference herein for financial information relating to our industry segments.

RECENT DEVELOPMENTS

The Company's core markets continue to be weak. The percentage leased in the Company's consolidated portfolio of stabilized operating properties increased to 92.0 percent at December 31, 2006 as compared to 91.0 percent at December 31, 2005 and 91.2 percent at December 31, 2004. Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future (including, at December 31, 2006, a lease with a commencement date substantially in the future consisting of 8,590 square feet scheduled to commence in 2009), and leases that expire at the period end date. Leases that expire as of the period end date aggregate 103,477 square feet, or 0.4 percent of the net rentable square footage. Excluded from percentage leased at December 31, 2004 was a non-strategic, non-core 318,224 square foot property acquired through a deed in lieu of foreclosure, which was 12.7 percent leased at December 31, 2004 and subsequently sold on February 4, 2005. Market rental rates have declined in most markets from peak levels in late 2000 and early 2001. Rental rates on the Company's space that was re-leased (based on first rents payable) during the year ended December 31, 2006 decreased an average of 0.2 percent compared to rates that were in effect under expiring leases, as compared to a 8.2 percent decrease in 2005 and a 8.7 percent decrease in 2004. The Company believes that vacancy rates may continue to increase in most of its markets in 2007. As a result, the Company's future earnings and cash flow may continue to be negatively impacted by current market conditions.

Gale/Green Transactions

On May 9, 2006, the Company completed the acquisitions of: (i) The Gale Company and certain of its related businesses, which engage in construction, property management, facilities management, and leasing services (collectively, the "Gale Company"); (ii) three office properties; and (iii) indirect interests in a portfolio of office properties, located primarily in New Jersey, which were owned indirectly by The Gale Company and its affiliates ("Gale") and affiliates of SL Green Realty Corp. ("SL Green"). The agreements ("Gale/Green Agreements") to complete the aforementioned acquisitions (collectively, the "Gale/Green Transactions") required that the Company complete all of the acquisitions. Simultaneous with the completion of the Gale/Green Transactions, The Gale Company's President, Mark Yeager, was named an executive vice president of the Company.

Under the Gale/Green Agreements, the Company acquired 100 percent of the ownership interests in three office properties located in New Jersey, aggregating 518,257 square feet (the "Wholly-Owned Properties").

Also, as part of the Gale/Green Agreements, the Company entered into a joint venture with an entity controlled by SL Green (in which Stanley C. Gale has an interest), known as Mack-Green-Gale LLC ("Mack-Green"), to hold an approximate 96 percent interest and act as general partner of Gale SLG NJ Operating Partnership, L.P. (the "OP LP"). The OP LP owns 100 percent of entities which own 25 office properties (collectively, the "OP LP Properties") which aggregate 3.5 million square feet (consisting of 17 office properties aggregating 2.3 million square feet located in New Jersey and eight properties aggregating 1.2 million square feet located in Troy, Michigan), as well as a minor, non-controlling interest in four office properties aggregating 419,000 square feet located in Naperville, Illinois.

Mr. Gale has agreed to pay Mark Yeager, an executive officer of the Company, 49 percent of any payments he receives on account of Mr. Gale's interest with SL Green in Mack-Green.

The Gale Company, the Wholly-Owned Properties, and the interest in Mack-Green were acquired by the Company for a total initial acquisition cost of approximately \$245 million consisting of: (i) the issuance by the Company of 224,719 common units of the Operating Partnership; (ii) the payment of a total of approximately \$194 million in cash, which was primarily funded through borrowing under the Company's revolving credit facility; and (iii) the assumption of \$39.9 million in existing mortgage indebtedness on two of the Wholly-Owned Properties. Mr. Gale has agreed to transfer to Mark Yeager 33,700 of his common units of the Operating Partnership on April 30, 2009, provided that Mr. Yeager's employment with the Company has not been terminated involuntarily without cause ("Employment Continuation") prior to such date. Additionally, the agreement to acquire the Gale Company ("Gale Agreement") contains earn-out provisions providing for the payment of contingent purchase consideration of up to \$18 million in cash based upon the achievement of Gross Income and NOI (as such terms are defined in the Gale Agreement) targets and other events for The Gale Company for the three years following the closing date.

Mr. Gale has agreed to pay to Mr. Yeager 49 percent of all amounts he receives pursuant to the Gale Agreement earn-out provisions, subject to certain conditions including Mr. Yeager's Employment Continuation.

The Company has not yet obtained all the information necessary to finalize its estimates to complete the purchase price allocations related to the Gale/Green Transactions. The purchase price allocations will be finalized once the information identified by the Company has been received, which should not be longer than one year from the date of acquisition.

In addition, the Gale Agreement provides for the Company to acquire certain other ownership interests in up to 11 real estate projects (the "Non-Portfolio Properties"), subject to obtaining certain third party consents and the satisfaction of various project-related and/or other conditions. Each of the Company's acquired interests in the Non-Portfolio Properties will provide for the initial distributions of net cash flow solely to the Company, and thereafter an affiliate of Mr. Gale ("Gale Affiliate") has participation rights ("Gale Participation Rights") in 50 percent of the excess net cash flow remaining after the distribution to the Company of the aggregate amount equal to the sum of: (a) the Company's capital contributions, plus (b) an internal rate of return ("IRR") of 10 percent per annum, accruing on the date or dates of the Company's investments.

Mr. Gale has agreed to pay to Mr. Yeager 49 percent of any payments he receives with respect to the Gale Participation Rights, subject to adjustments for payments Mr. Yeager receives from his direct interests in such rights and subject to, in certain cases, Mr. Yeager's Employment Continuation. Mr. Gale has also agreed to pay to Mr. Yeager 49 percent of the distributions he receives with respect to Mr. Gale's interest in certain land located in Florham Park, New Jersey, which is one of the Non-Portfolio Properties not yet acquired by the Company. Such distribution may include the amounts Mr. Gale receives from the conveyance of his interest in the Florham Park land to the Company.

With respect to the arrangements between Mr. Gale and Mr. Yeager regarding the Gale Agreement earn-out provisions and the Florham Park land, they have agreed to consider offering payments to certain persons that have been employed by certain subsidiaries of The Gale Company, which may include current employees of the Company.

Through December 31, 2006, the Company has completed acquisitions of eight of the interests in the Non-Portfolio Properties, which included the acquisitions of interests in: a 527,015 square foot, mixed-use office/retail complex; a 416,429 square-foot multi-tenanted office property; a 139,750 square-foot fully-leased office property; an office property in development; two vacant land parcels (one of which Mr. Yeager has a 16.49 percent interest in the Participation Rights) and two pre-developed projects. The aggregate cost of the completed acquisitions was approximately \$25.6 million.

Pursuant to Mr. Gale's agreements with Mr. Yeager, as described herein, Mr. Yeager received approximately \$5.6 million during the year ended December 31, 2006.

In connection with the Company's acquisition of the Gale Company, Mr. Gale and certain other affiliates of Gale are restricted from competing with the Company or hiring the Company's employees for a period of four years expiring on May 9, 2010.

Property Acquisitions

The Company acquired the following office properties during the year ended December 31, 2006: (*dollars in thousands*)

Acquisition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Acquisition Cost
02/28/06	Capital Office Park (a)	Greenbelt, Maryland	7	842,258	\$166,011
05/09/06	35 Waterview Boulevard (b) (c)	Parsippany, New Jersey	1	172,498	33,586
05/09/06	105 Challenger Road (b) (d)	Ridgefield Park, New Jersey	1	150,050	34,960
05/09/06	343 Thornall Street (b) (e)	Edison, New Jersey	1	195,709	46,193
07/31/06	395 W. Passaic Street (f)	Rochelle Park, New Jersey	1	100,589	22,219
Total Property Acquisitions:			11	1,461,104	\$302,969

(a) This transaction was funded primarily through the assumption of \$63.2 million of mortgage debt and the issuance of 1.9 million common operating partnership units valued at \$87.2 million.

(b) The property was acquired as part of the Gale/Green Transactions.

(c) Transaction was funded primarily through borrowing on the Company's revolving credit facility and the assumption of \$20.4 million of mortgage debt.

(d) Transaction was funded primarily through borrowing on the Company's revolving credit facility and the assumption of \$19.5 million of mortgage debt.

(e) Transaction was funded primarily through borrowing on the Company's revolving credit facility.

(f) Transaction was funded primarily through borrowing on the Company's revolving credit facility and the assumption of \$13.1 million of mortgage debt.

For a discussion of the ownership interests in Mack-Green, see Note 4: Investments in Unconsolidated Joint Ventures - Mack-Green-Gale LLC - to our financial statements included within this annual report on Form 10-K.

Sales

The Company sold the following office properties during the year ended December 31, 2006: (*dollars in thousands*)

Sale Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds	Net Book Value	Realized Gain/(Loss)
06/28/06	Westage Business Center	Fishkill, New York	1	118,727	\$ 14,765	\$ 10,872	\$ 3,893
06/30/06	1510 Lancer Drive	Moorestown, New Jersey	1	88,000	4,146	3,134	1,012
11/10/06	Colorado portfolio	Various cities, Colorado	191	1,431,610	193,404	165,072	28,332
12/21/06	California portfolio	San Francisco, California	2	450,891	124,182	97,814	26,368
Total Office Property Sales:				232,089,228	\$336,497	\$276,892	\$59,605

On November 6, 2006, the Company sold substantially all of its 50-percent interest in G&G Martco, a joint venture which owned a 305,618 square foot office building located in San Francisco, California for approximately \$16.3 million, realizing a gain on the sale of approximately \$10.8 million.

On November 7, 2006, the Company sold 10.1 acres of developable land adjacent to its Horizon Center properties in Hamilton Township, New Jersey, for net sales proceeds of approximately \$1.5 million, realizing a gain of approximately \$1.1 million from the sale.

Investments in Marketable Securities

In 2005, the Company purchased approximately 1.5 million shares of common stock in CarrAmerica Realty Corporation. From January 1, 2006 through January 25, 2006, the Company purchased an additional 336,500 shares in CarrAmerica for a total purchase price of approximately \$11.9 million. During the three months ended March 31, 2006, the Company sold all of its 1,804,800 shares of CarrAmerica common stock, realizing a gain of approximately \$15.1 million.

FINANCING ACTIVITY

On January 24, 2006, the Company issued \$100 million face amount of 5.80 percent senior unsecured notes due January 15, 2016 with interest payable semi-annually in arrears, and \$100 million face amount of 5.25 percent senior unsecured notes due January 15, 2012 with interest payable semi-annually in arrears. The total proceeds from the issuances, including accrued interest on the 5.80 percent notes of approximately \$200.8 million, were used to reduce outstanding borrowings under the Company's unsecured facility.

On February 7, 2007, the Company completed an underwritten offer and sale of 4,650,000 shares of its common stock and used the net proceeds, which totaled approximately \$252 million (after offering costs), primarily to pay down its outstanding borrowings under the Company's revolving credit facility and for general corporate purposes.

AVAILABLE INFORMATION

The Company's internet website is www.mack-cali.com. The Company makes available free of charge on or through its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after it electronically files or furnishes such materials to the Securities and Exchange Commission. In addition, the Company's internet website includes other items related to corporate governance matters, including, among other things, the Company's corporate governance guidelines, charters of various committees of the Board of Directors, and the Company's code of business conduct and ethics applicable to all employees, officers and directors. The Company intends to disclose on its internet website any amendments to or waivers from its code of business conduct and ethics as well as any amendments to its corporate governance principles or the charters of various committees of the Board of Directors. Copies of these documents may be obtained, free of charge, from our internet website. Any shareholder also may obtain copies of these documents, free of charge, by sending a request in writing to: Mack-Cali Investor Relations Department, 343 Thornall Street, Edison, NJ 08837-2206.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We consider portions of this report, including the documents incorporated by reference, to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of such act. Such forward-looking statements relate to, without limitation, our future economic performance, plans and objectives for future operations and projections of revenue and other financial items. Forward-looking statements can be identified by the use of words such as "may," "will," "plan," "should," "expect," "anticipate," "estimate," "continue" or comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions at the time made, we can give no assurance that such expectations will be achieved. Future events and actual results, financial and otherwise, may differ materially from the results discussed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Among the factors about which we have made assumptions are:

- changes in the general economic climate and conditions, including those affecting industries in which our principal tenants operate;
- the extent of any tenant bankruptcies or of any early lease terminations;

- our ability to lease or re-lease space at current or anticipated rents;
- changes in the supply of and demand for office, office/flex and industrial/warehouse properties;
 - changes in interest rate levels;
 - changes in operating costs;
- our ability to obtain adequate insurance, including coverage for terrorist acts;
 - the availability of financing;
- changes in governmental regulation, tax rates and similar matters; and
- other risks associated with the development and acquisition of properties, including risks that the development may not be completed on schedule, that the tenants will not take occupancy or pay rent, or that development or operating costs may be greater than anticipated.

For further information on factors which could impact us and the statements contained herein, see Item 1A: Risk Factors. We assume no obligation to update and supplement forward-looking statements that become untrue because of subsequent events.

ITEM 1A. RISK FACTORS

Our results from operations and ability to make distributions on our equity and debt service on our indebtedness may be affected by the risk factors set forth below. All investors should consider the following risk factors before deciding to purchase securities of the Company. The Company refers to itself as “we” or “our” in the following risk factors.

Declines in economic activities in the Northeastern office markets could adversely affect our operating results.

A majority of our revenues are derived from our properties located in the Northeast, particularly in New Jersey, New York and Pennsylvania. Adverse economic developments in this region could adversely impact the operations of our properties and, therefore, our profitability. Because our portfolio consists primarily of office and office/flex buildings (as compared to a more diversified real estate portfolio), a decline in the economy and/or a decline in the demand for office space may adversely affect our ability to make distributions or payments to our investors.

Our performance is subject to risks associated with the real estate industry.

General: Our business and our ability to make distributions or payments to our investors depend on the ability of our properties to generate funds in excess of operating expenses (including scheduled principal payments on debt and capital expenditures). Events or conditions that are beyond our control may adversely affect our operations and the value of our properties. Such events or conditions could include:

- changes in the general economic climate;
- changes in local conditions such as an oversupply of office space, a reduction in demand for office space, or reductions in office market rental rates;
 - decreased attractiveness of our properties to tenants;
 - competition from other office and office/flex properties;
 - our inability to provide adequate maintenance;
- increased operating costs, including insurance premiums, utilities and real estate taxes, due to inflation and other factors which may not necessarily be offset by increased rents;
- changes in laws and regulations (including tax, environmental, zoning and building codes, and housing laws and regulations) and agency or court interpretations of such laws and regulations and the related costs of compliance;
 - changes in interest rate levels and the availability of financing;
 - the inability of a significant number of tenants to pay rent;
 - our inability to rent office space on favorable terms; and
- civil unrest, earthquakes, acts of terrorism and other natural disasters or acts of God that may result in uninsured losses.

Financially distressed tenants may be unable to pay rent: If a tenant defaults, we may experience delays and incur substantial costs in enforcing our rights as landlord and protecting our investments. If a tenant files for bankruptcy, a potential court judgment rejecting and terminating such tenant’s lease could adversely affect our ability to make distributions or payments to our investors.

Renewing leases or re-letting space could be costly: If a tenant does not renew its lease upon expiration or terminates its lease early, we may not be able to re-lease the space. If a tenant does renew its lease or we re-lease the space, the terms of the renewal or new lease, including the cost of required renovations or concessions to the tenant, may be less favorable than the current lease terms which could adversely affect our ability to make distributions or payments to our investors.

Our insurance coverage on our properties may be inadequate: We currently carry comprehensive insurance on all of our properties, including insurance for liability, fire and flood. We cannot guarantee that the limits of our current policies will be sufficient in the event of a catastrophe to our properties. We cannot guarantee that we will be able to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, while our current insurance policies insure us against loss from terrorist acts and toxic mold, in the future insurance companies may no longer offer coverage against these types of losses, or, if offered, these types of insurance may be prohibitively expensive. If any or all of the foregoing should occur, we may not have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. Should an uninsured loss or a loss in excess of our insured limits occur, we could lose all or a portion of the capital we have invested in a property or properties, as well as the anticipated future revenue from the property or properties. Nevertheless, we might remain obligated for any mortgage debt or other financial obligations related to the property or properties. We cannot guarantee that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our ability to make distributions or payments to our investors.

Illiquidity of real estate limits our ability to act quickly: Real estate investments are relatively illiquid. Such illiquidity may limit our ability to react quickly in response to changes in economic and other conditions. If we want to sell an investment, we might not be able to dispose of that investment in the time period we desire, and the sales price of that investment might not recoup or exceed the amount of our investment. The prohibition in the Internal Revenue Code of 1986, as amended (the "Code"), and related regulations on a real estate investment trust holding property for sale also may restrict our ability to sell property. In addition, we acquired a significant number of our properties from individuals to whom we issued Units as part of the purchase price. In connection with the acquisition of these properties, in order to preserve such individual's income tax deferral, we contractually agreed not to sell or otherwise transfer the properties for a specified period of time, except in a manner which does not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimburses the appropriate individuals for the income tax consequences of the recognition of such built-in-gains. As of December 31, 2006, 50 of our properties, with an aggregate net book value of approximately \$1.3 billion, were subject to these restrictions, which expire periodically through 2016. For those properties where such restrictions have lapsed, we are generally required to use commercially reasonable efforts to prevent any sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the appropriate individuals. 88 of our properties, with an aggregate net book value of approximately \$809.0 million, have lapsed restrictions and are subject to these conditions. The above limitations on our ability to sell our investments could adversely affect our ability to make distributions or payments to our investors.

Americans with Disabilities Act compliance could be costly: Under the Americans with Disabilities Act of 1990 ("ADA"), all public accommodations and commercial facilities must meet certain federal requirements related to access and use by disabled persons. Compliance with the ADA requirements could involve removal of structural barriers from certain disabled persons' entrances. Other federal, state and local laws may require modifications to or restrict further renovations of our properties with respect to such accesses. Although we believe that our properties are substantially in compliance with present requirements, noncompliance with the ADA or related laws or regulations could result in the United States government imposing fines or private litigants being awarded damages against us. Such costs may adversely affect our ability to make distributions or payments to our investors.

Environmental problems are possible and may be costly: Various federal, state and local laws and regulations subject property owners or operators to liability for the costs of removal or remediation of certain hazardous or toxic substances located on or in the property. These laws often impose liability without regard to whether the owner or operator was responsible for or even knew of the presence of such substances. The presence of or failure to properly remediate hazardous or toxic substances (such as toxic mold) may adversely affect our ability to rent, sell or borrow against contaminated property and may impose liability upon us for personal injury to persons exposed to such substances. Various laws and regulations

also impose liability on persons who arrange for the disposal or treatment of hazardous or toxic substances at another location for the costs of removal or remediation of such substances at the disposal or treatment facility. These laws often impose liability whether or not the person arranging for such disposal ever owned or operated the disposal facility. Certain other environmental laws and regulations impose liability on owners or operators of property for injuries relating to the release of asbestos-containing or other materials into the air, water or otherwise into the environment. As owners and operators of property and as potential arrangers for hazardous substance disposal, we may be liable under such laws and regulations for removal or remediation costs, governmental penalties, property damage, personal injuries and related expenses. Payment of such costs and expenses could adversely affect our ability to make distributions or payments to our investors.

Competition for acquisitions may result in increased prices for properties: We plan to acquire additional properties in New Jersey, New York and Pennsylvania and in the Northeast generally. We may be competing for investment opportunities with entities that have greater financial resources. Several office building developers and real estate companies may compete with us in seeking properties for acquisition, land for development and prospective tenants. Such competition may adversely affect our ability to make distributions or payments to our investors by:

- reducing the number of suitable investment opportunities offered to us;
 - increasing the bargaining power of property owners;
 - interfering with our ability to attract and retain tenants;
- increasing vacancies which lowers market rental rates and limits our ability to negotiate rental rates; and/or
 - adversely affecting our ability to minimize expenses of operation.

Development of real estate could be costly: As part of our operating strategy, we may acquire land for development or construct on owned land, under certain conditions. Included among the risks of the real estate development business are the following, which may adversely affect our ability to make distributions or payments to our investors:

- financing for development projects may not be available on favorable terms;
- long-term financing may not be available upon completion of construction; and
- failure to complete construction on schedule or within budget may increase debt service expense and construction costs.

Property ownership through joint ventures could subject us to the contrary business objectives of our co-venturers: We, from time to time, invest in joint ventures or partnerships in which we do not hold a controlling interest in the assets underlying the entities in which we invest, including joint ventures in which (i) we own a direct interest in an entity which controls such assets, or (ii) we own a direct interest in an equity which owns indirect interests, through one or more intermediaries, of such assets. These investments involve risks that do not exist with properties in which we own a controlling interest with respect to the underlying assets, including the possibility that our co-venturers or partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives. Because we lack a controlling interest, our co-venturers or partners may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives. While we seek protective rights against such contrary actions, there can be no assurance that we will be successful in procuring any such protective rights, or if procured, that the rights will be sufficient to fully protect us against contrary actions. Our organizational documents do not limit the amount of available funds that we may invest in joint ventures or partnerships. If the objectives of our co-venturers or partners are inconsistent with ours, it may adversely affect our ability to make distributions or payments to our investors.

Our real estate construction management activities are subject to risks particular to third-party construction projects.

As a result of the Gale/Green Transactions, we now perform fixed price construction services for third parties and we are subject to a variety of risks unique to these activities. If construction costs of a project exceed original estimates,

such costs may have to be absorbed by us, thereby making the project less profitable than originally estimated, or possibly not profitable at all. In addition, a construction project may be delayed due to government or regulatory approvals, supply shortages, or other events and circumstances beyond our control, or the time required to complete a construction project may be greater than originally anticipated. If any such excess costs or project delays were to be material, such events may adversely effect our cash flow and liquidity and thereby impact our ability to pay dividends or make distributions to our investors.

Debt financing could adversely affect our economic performance.

Scheduled debt payments and refinancing could adversely affect our financial condition: We are subject to the risks normally associated with debt financing. These risks, including the following, may adversely affect our ability to make distributions or payments to our investors:

- our cash flow may be insufficient to meet required payments of principal and interest;
- payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses;
 - we may not be able to refinance indebtedness on our properties at maturity; and
- if refinanced, the terms of refinancing may not be as favorable as the original terms of the related indebtedness.

As of December 31, 2006, we had total outstanding indebtedness of \$2.2 billion comprised of \$1.6 billion of senior unsecured notes, outstanding borrowings of \$145.0 million under our \$600.0 million revolving credit facility and approximately \$383.5 million of mortgage loans payable and other obligations indebtedness. We may have to refinance the principal due on our current or future indebtedness at maturity, and we may not be able to do so.

If we are unable to refinance our indebtedness on acceptable terms, or at all, events or conditions that may adversely affect our ability to make distributions or payments to our investors include the following:

- we may need to dispose of one or more of our properties upon disadvantageous terms;
- prevailing interest rates or other factors at the time of refinancing could increase interest rates and, therefore, our interest expense;
- if we mortgage property to secure payment of indebtedness and are unable to meet mortgage payments, the mortgagee could foreclose upon such property or appoint a receiver to receive an assignment of our rents and leases; and
- foreclosures upon mortgaged property could create taxable income without accompanying cash proceeds and, therefore, hinder our ability to meet the real estate investment trust distribution requirements of the Internal Revenue Code.

We are obligated to comply with financial covenants in our indebtedness that could restrict our range of operating activities: The mortgages on our properties contain customary negative covenants, including limitations on our ability, without the prior consent of the lender, to further mortgage the property, to enter into new leases outside of stipulated guidelines or to materially modify existing leases. In addition, our credit facility contains customary requirements, including restrictions and other limitations on our ability to incur debt, debt to assets ratios, secured debt to total assets ratios, interest coverage ratios and minimum ratios of unencumbered assets to unsecured debt. The indentures under which our senior unsecured debt have been issued contain financial and operating covenants including coverage ratios and limitations on our ability to incur secured and unsecured debt. These covenants limit our flexibility in conducting our operations and create a risk of default on our indebtedness if we cannot continue to satisfy them.

Rising interest rates may adversely affect our cash flow: As of December 31, 2006, outstanding borrowings of approximately \$145.0 million under our revolving credit facility bear interest at variable rates. We may incur additional indebtedness in the future that also bears interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase. Higher debt service requirements could adversely affect our ability to make distributions or payments to our investors and/or cause us to default under certain debt covenants.

Our degree of leverage could adversely affect our cash flow: We fund acquisition opportunities and development partially through short-term borrowings (including our revolving credit facility), as well as from proceeds from property sales and undistributed cash. We expect to refinance projects purchased with short-term debt either with long-term indebtedness or equity financing depending upon the economic conditions at the time of refinancing. Our Board of Directors has a general policy of limiting the ratio of our indebtedness to total undepreciated assets (total

debt as a percentage of total undepreciated assets) to 50 percent or less, although there is no limit in Mack-Cali Realty, L.P.'s or our organizational documents on the amount of indebtedness that we may incur. However, we have entered into certain financial agreements which contain financial and operating covenants that limit our ability under certain circumstances to incur additional secured and unsecured indebtedness. The Board of Directors could alter or eliminate its current policy on borrowing at any time at its discretion. If this policy were changed, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our cash flow and our ability to make distributions or payments to our investors and/or could cause an increased risk of default on our obligations.

We are dependent on external sources of capital for future growth: To qualify as a real estate investment trust, we must distribute to our shareholders each year at least 90 percent of our net taxable income, excluding any net capital gain. Because of this distribution requirement, it is not likely that we will be able to fund all future capital needs, including for acquisitions and developments, from income from operations. Therefore, we will have to rely on third-party sources of capital, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings. Moreover, additional equity offerings may result in substantial dilution of our shareholders' interests, and additional debt financing may substantially increase our leverage.

Competition for skilled personnel could increase our labor costs.

We compete with various other companies in attracting and retaining qualified and skilled personnel. We depend on our ability to attract and retain skilled management personnel who are responsible for the day-to-day operations of our company. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge our tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed.

We are dependent on our key personnel whose continued service is not guaranteed.

We are dependent upon our executive officers for strategic business direction and real estate experience. While we believe that we could find replacements for these key personnel, loss of their services could adversely affect our operations. We have entered into an employment agreement (including non-competition provisions) which provides for a continuous four-year employment term with each of Mitchell E. Hersh, Barry Lefkowitz and Roger W. Thomas, a continuous one-year employment term with Michael A. Grossman, and a three-year employment term with Mark Yeager which, as of May 9, 2009, shall convert to a continuous one-year employment term. We do not have key man life insurance for our executive officers.

Certain provisions of Maryland law and our charter and bylaws as well as our stockholder rights plan could hinder, delay or prevent changes in control.

Certain provisions of Maryland law, our charter and our bylaws, as well as our stockholder rights plan have the effect of discouraging, delaying or preventing transactions that involve an actual or threatened change in control. These provisions include the following:

Classified Board of Directors: Our Board of Directors is divided into three classes with staggered terms of office of three years each. The classification and staggered terms of office of our directors make it more difficult for a third party to gain control of our board of directors. At least two annual meetings of stockholders, instead of one, generally would be required to affect a change in a majority of the board of directors.

Removal of Directors: Under our charter, subject to the rights of one or more classes or series of preferred stock to elect one or more directors, a director may be removed only for cause and only by the affirmative vote of at least two-thirds of all votes entitled to be cast by our stockholders generally in the election of directors. Neither the Maryland General Corporation Law nor our charter define the term "cause." As a result, removal for "cause" is subject to Maryland common law and to judicial interpretation and review in the context of the facts and circumstances of any particular situation.

Number of Directors, Board Vacancies, Term of Office: We have, in our bylaws, elected to be subject to certain provisions of Maryland law which vest in the Board of Directors the exclusive right to determine the number of directors and the exclusive right, by the affirmative vote of a majority of the remaining directors, even if the remaining directors do not constitute a quorum, to fill vacancies on the board. These provisions of Maryland law, which are

applicable even if other provisions of Maryland law or the charter or bylaws provide to the contrary, also provide that any director elected to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, rather than the next annual meeting of stockholders as would otherwise be the case, and until his or her successor is elected and qualifies.

Stockholder Requested Special Meetings: Our bylaws provide that our stockholders have the right to call a special meeting only upon the written request of the stockholders entitled to cast not less than a majority of all the votes entitled to be cast by the stockholders at such meeting.

Advance Notice Provisions for Stockholder Nominations and Proposals: Our bylaws require advance written notice for stockholders to nominate persons for election as directors at, or to bring other business before, any meeting of stockholders. This bylaw provision limits the ability of stockholders to make nominations of persons for election as directors or to introduce other proposals unless we are notified in a timely manner prior to the meeting.

Exclusive Authority of the Board to Amend the Bylaws: Our bylaws provide that our board of directors has the exclusive power to adopt, alter or repeal any provision of the bylaws or to make new bylaws. Thus, our stockholders may not effect any changes to our bylaws.

Preferred Stock: Under our charter, our Board of Directors has authority to issue preferred stock from time to time in one or more series and to establish the terms, preferences and rights of any such series of preferred stock, all without approval of our stockholders.

Duties of Directors with Respect to Unsolicited Takeovers: Maryland law provides protection for Maryland corporations against unsolicited takeovers by limiting, among other things, the duties of the directors in unsolicited takeover situations. The duties of directors of Maryland corporations do not require them to (a) accept, recommend or respond to any proposal by a person seeking to acquire control of the corporation, (b) authorize the corporation to redeem any rights under, or modify or render inapplicable, any stockholders rights plan, (c) make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act, or (d) act or fail to act solely because of the effect of the act or failure to act may have on an acquisition or potential acquisition of control of the corporation or the amount or type of consideration that may be offered or paid to the stockholders in an acquisition. Moreover, under Maryland law the act of a director of a Maryland corporation relating to or affecting an acquisition or potential acquisition of control is not subject to any higher duty or greater scrutiny than is applied to any other act of a director. Maryland law also contains a statutory presumption that an act of a director of a Maryland corporation satisfies the applicable standards of conduct for directors under Maryland law.

Ownership Limit: In order to preserve our status as a real estate investment trust under the Code, our charter generally prohibits any single stockholder, or any group of affiliated stockholders, from beneficially owning more than 9.8 percent of our outstanding capital stock unless our Board of Directors waives or modifies this ownership limit.

Maryland Business Combination Act: The Maryland Business Combination Act provides that unless exempted, a Maryland corporation may not engage in business combinations, including mergers, dispositions of 10 percent or more of its assets, certain issuances of shares of stock and other specified transactions, with an “interested stockholder” or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10 percent or more of the voting power of the outstanding stock of the Maryland corporation. Our board of directors has exempted from this statute business combinations between the Company and certain affiliated individuals and entities. However, unless our board adopts other exemptions, the provisions of the Maryland Business Combination Act will be applicable to business combinations with other persons.

Maryland Control Share Acquisition Act: Maryland law provides that “control shares” of a corporation acquired in a “control share acquisition” shall have no voting rights except to the extent approved by a vote of two-thirds of the votes eligible to cast on the matter under the Maryland Control Share Acquisition Act. “Control Shares” means shares of stock that, if aggregated with all other shares of stock previously acquired by the acquirer, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of the voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. A “control share acquisition” means the acquisition of control shares, subject to certain exceptions.

If voting rights of control shares acquired in a control share acquisition are not approved at a stockholder's meeting, then subject to certain conditions and limitations, the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a stockholder's meeting and the acquirer becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights. Our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any acquisitions of shares by certain affiliated individuals and entities, any directors, officers or employees of the Company and any person approved by the board of directors prior to the acquisition by such person of control shares. Any control shares acquired in a control share acquisition which are not exempt under the foregoing provisions of our bylaws will be subject to the Maryland Control Share Acquisition Act.

Stockholder Rights Plan: We have adopted a stockholder rights plan that may discourage any potential acquirer from acquiring more than 15 percent of our outstanding common stock since, upon this type of acquisition without approval of our board of directors, all other common stockholders will have the right to purchase a specified amount of common stock at a substantial discount from market price.

Consequences of failure to qualify as a real estate investment trust could adversely affect our financial condition. Failure to maintain ownership limits could cause us to lose our qualification as a real estate investment trust: In order for us to maintain our qualification as a real estate investment trust, not more than 50 percent in value of our outstanding stock may be actually and/or constructively owned by five or fewer individuals (as defined in the Code to include certain entities). We have limited the ownership of our outstanding shares of our common stock by any single stockholder to 9.8 percent of the outstanding shares of our common stock. Our Board of Directors could waive this restriction if they were satisfied, based upon the advice of tax counsel or otherwise, that such action would be in our best interests and would not affect our qualification as a real estate investment trust. Common stock acquired or transferred in breach of the limitation may be redeemed by us for the lesser of the price paid and the average closing price for the 10 trading days immediately preceding redemption or sold at the direction of us. We may elect to redeem such shares of common stock for Units, which are nontransferable except in very limited circumstances. Any transfer of shares of common stock which, as a result of such transfer, causes us to be in violation of any ownership limit will be deemed void. Although we currently intend to continue to operate in a manner which will enable us to continue to qualify as a real estate investment trust, it is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors to revoke the election for us to qualify as a real estate investment trust. Under our organizational documents, our Board of Directors can make such revocation without the consent of our stockholders.

In addition, the consent of the holders of at least 85 percent of Mack-Cali Realty, L.P.'s partnership units is required: (i) to merge (or permit the merger of) us with another unrelated person, pursuant to a transaction in which Mack-Cali Realty, L.P. is not the surviving entity; (ii) to dissolve, liquidate or wind up Mack-Cali Realty, L.P.; or (iii) to convey or otherwise transfer all or substantially all of Mack-Cali Realty, L.P.'s assets. As of February 16, 2007, as general partner, we own approximately 81.6 percent of Mack-Cali Realty, L.P.'s outstanding common partnership units.

Tax liabilities as a consequence of failure to qualify as a real estate investment trust: We have elected to be treated and have operated so as to qualify as a real estate investment trust for federal income tax purposes since our taxable year ended December 31, 1994. Although we believe we will continue to operate in such manner, we cannot guarantee that we will do so. Qualification as a real estate investment trust involves the satisfaction of various requirements (some on an annual and some on a quarterly basis) established under highly technical and complex tax provisions of the Internal Revenue Code. Because few judicial or administrative interpretations of such provisions exist and qualification determinations are fact sensitive, we cannot assure you that we will qualify as a real estate investment trust for any taxable year.

If we fail to qualify as a real estate investment trust in any taxable year, we will be subject to the following:

- we will not be allowed a deduction for dividends paid to shareholders;
- we will be subject to federal income tax at regular corporate rates, including any alternative minimum tax, if applicable; and
- unless we are entitled to relief under certain statutory provisions, we will not be permitted to qualify as a real estate investment trust for the four taxable years following the year during which we were disqualified.

A loss of our status as a real estate investment trust could have an adverse effect on us. Failure to qualify as a real estate investment trust also would eliminate the requirement that we pay dividends to our stockholders.

Other tax liabilities: Even if we qualify as a real estate investment trust, we are subject to certain federal, state and local taxes on our income and property and, in some circumstances, certain other state and local taxes. In addition, our taxable REIT subsidiaries will be subject to federal, state and local income tax for income received in connection with certain non-customary services performed for tenants and/or third parties.

Risk of changes in the tax law applicable to real estate investment trusts: Since the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income tax legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such legislative action may prospectively or retroactively modify our and Mack-Cali Realty, L.P.'s tax treatment and, therefore, may adversely affect taxation of us, Mack-Cali Realty, L.P., and/or our investors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

PROPERTY LIST

As of December 31, 2006, the Company's Consolidated Properties consisted of 251 in-service office, office/flex and industrial/warehouse properties, as well as two stand-alone retail properties and two land leases. The Consolidated Properties are located primarily in the Northeast. The Consolidated Properties are easily accessible from major thoroughfares and are in close proximity to numerous amenities. The Consolidated Properties contain a total of approximately 28.9 million square feet, with the individual properties ranging from 6,216 to 1,246,283 square feet. The Consolidated Properties, managed by on-site employees, generally have attractively landscaped sites and atriums in addition to quality design and construction. The Company's tenants include many service sector employers, including a large number of professional firms and national and international businesses. The Company believes that all of its properties are well-maintained and do not require significant capital improvements.

**Office
Properties**

Property Location	Year Built	Area (Sq. Ft.)	Percentage Leased as of 12/31/06 (%) (a)	2006		2006 Effective Rent Percentage of Total 2006 Base Rent (%)	2006	
				Base Rent (\$000's) (b) (c)	Effective Rent (\$000's) (c) (d)		Average Base Rent Per Sq. Ft. (\$) (c) (e)	Average Effective Rent Per Sq. Ft. (\$) (c) (f)
NEW JERSEY								
Atlantic County								
<i>Egg Harbor</i>								
100 Decadon Drive	1987	40,422	100.0	954	907	0.18	23.60	22.44
200 Decadon Drive	1991	39,922	100.0	936	872	0.17	23.45	21.84
Bergen County								
<i>Fair Lawn</i>								
17-17 Route 208 North	1987	143,000	100.0	3,463	2,960	0.64	24.22	20.70
<i>Fort Lee</i>								
One Bridge Plaza	1981	200,000	54.4	2,549	2,371	0.47	23.43	21.79
2115 Linwood Avenue	1981	68,000	62.6	1,253	1,017	0.23	29.44	23.89
<i>Little Ferry</i>								
200 Riser Road	1974	286,628	100.0	2,066	1,916	0.38	7.21	6.68
<i>Montvale</i>								
95 Chestnut Ridge Road	1975	47,700	100.0	796	729	0.15	16.69	15.28
135 Chestnut Ridge Road	1981	66,150	88.9	1,440	1,173	0.26	24.49	19.95
<i>Paramus</i>								
15 East Midland Avenue	1988	259,823	100.0	5,597	5,440	1.03	21.54	20.94
140 East Ridgewood Avenue	1981	239,680	92.1	4,844	4,218	0.89	21.94	19.11
461 From Road	1988	253,554	98.6	6,064	6,044	1.11	24.26	24.18
650 From Road	1978	348,510	93.8	7,884	6,894	1.45	24.12	21.09
61 South Paramus Avenue	1985	269,191	99.0	6,649	5,906	1.22	24.95	22.16
<i>Ridgefield Park</i>								
105 Challenger Road (g)	1992	150,050	87.5	2,759	2,527	0.51	32.36	29.64
<i>Rochelle Park</i>								
120 Passaic Street	1972	52,000	99.6	1,402	1,322	0.26	27.07	25.53
365 West Passaic Street	1976	212,578	97.6	4,177	3,742	0.77	20.13	18.04
395 West Passaic Street (g)	1979	100,589	90.2	918	794	0.17	23.98	20.74
<i>Upper Saddle River</i>								
1 Lake Street	1973/94	474,801	100.0	7,465	7,465	1.37	15.72	15.72
10 Mountainview Road	1986	192,000	100.0	4,352	4,045	0.80	22.67	21.07

Woodcliff Lake

400 Chestnut Ridge Road	1982	89,200	100.0	1,950	1,456	0.36	21.86	16.32
470 Chestnut Ridge Road	1987	52,500	81.2	479	455	0.09	11.24	10.67
530 Chestnut Ridge Road	1986	57,204	100.0	1,166	1,166	0.21	20.38	20.38
50 Tice Boulevard	1984	235,000	100.0	6,155	5,570	1.13	26.19	23.70
300 Tice Boulevard	1991	230,000	100.0	6,155	5,504	1.13	26.76	23.93

Burlington County**Moorestown**

224 Strawbridge Drive	1984	74,000	98.4	1,309	1,218	0.24	17.98	16.73
228 Strawbridge Drive	1984	74,000	100.0	1,043	896	0.19	14.09	12.11
232 Strawbridge Drive	1986	74,258	98.8	1,446	1,400	0.27	19.71	19.08

Essex County**Millburn**

150 J.F. Kennedy Parkway	1980	247,476	100.0	7,454	6,462	1.37	30.12	26.11
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**Office
Properties
(Continued)**

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/06 (%) (a)	2006		2006 Effective Rent Percentage of Total 2006 Base Rent (%)	2006	
				Base Rent (\$000's) (b)	Effective Rent (\$000's) (c)		Average Base Rent Per Sq. Ft. (\$) (e)	Average Effective Rent Per Sq. Ft. (\$) (f)
Roseland								
101 Eisenhower Parkway	1980	237,000	93.9	5,522	5,014	1.01	24.81	22.53
103 Eisenhower Parkway	1985	151,545	87.5	3,026	2,629	0.56	22.82	19.83
105 Eisenhower Parkway	2001	220,000	85.8	4,126	3,088	0.76	21.86	16.36
Hudson County								
Jersey City								
Harborside Financial Center Plaza 1	1983	400,000	92.8	3,930	3,475	0.72	10.59	9.36
Harborside Financial Center Plaza 2	1990	761,200	100.0	17,838	16,694	3.27	23.43	21.93
Harborside Financial Center Plaza 3	1990	725,600	98.5	17,870	16,780	3.28	25.00	23.48
Harborside Financial Center Plaza 4-A	2000	207,670	99.1	6,749	5,903	1.24	32.79	28.68
Harborside Financial Center Plaza 5	2002	977,225	97.5	35,570	29,406	6.53	37.33	30.86
101 Hudson Street	1992	1,246,283	100.0	29,822	26,212	5.47	23.93	21.03
Mercer County								
Hamilton Township								
600 Horizon Drive	2002	95,000	100.0	1,373	1,373	0.25	14.45	14.45
Princeton								
103 Carnegie Center	1984	96,000	84.9	2,311	2,029	0.42	28.35	24.89
3 Independence Way	1983	111,300	49.9	884	702	0.16	15.92	12.64
100 Overlook Center	1988	149,600	100.0	3,975	3,431	0.73	26.57	22.93
5 Vaughn Drive	1987	98,500	94.0	2,431	2,120	0.45	26.26	22.90
Middlesex County								
East Brunswick								
377 Summerhill Road	1977	40,000	100.0	353	346	0.06	8.83	8.65
Edison								
343 Thornall Street (c) (g)	1991	195,709	100.0	1,953	1,608	0.36	15.37	12.65
Piscataway								

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30 Knightsbridge Road, Bldg 3	1977	160,000	100.0	2,465	2,465	0.45	15.41	15.41
30 Knightsbridge Road, Bldg 4	1977	115,000	100.0	1,771	1,771	0.33	15.40	15.40
30 Knightsbridge Road, Bldg 5	1977	332,607	43.6	1,275	1,080	0.23	8.79	7.45
30 Knightsbridge Road, Bldg 6	1977	72,743	62.9	--	--	--	--	--
Plainsboro								
500 College Road East	1984	158,235	95.7	4,031	3,807	0.74	26.62	25.14
Woodbridge								
581 Main Street	1991	200,000	100.0	4,586	4,346	0.84	22.93	21.73
Monmouth County								
Freehold								
2 Paragon Way	1989	44,524	64.8	648	502	0.12	22.46	17.40
3 Paragon Way	1991	66,898	58.4	770	699	0.14	19.71	17.89
4 Paragon Way	2002	63,989	100.0	1,168	900	0.21	18.25	14.06
100 Willbowbrook	1988	60,557	74.8	812	721	0.15	17.93	15.92
Holmdel								
23 Main Street	1977	350,000	100.0	4,039	3,187	0.74	11.54	9.11

**Office
Properties
(Continued)**

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Middletown								
One River Center Bldg 1	1983	122,594	100.0	3,064	2,633	0.56	24.99	21.48
One River Center Bldg 2	1983	120,360	100.0	2,775	2,738	0.51	23.06	22.75
One River Center Bldg 3	1984	214,518	93.6	4,374	4,329	0.80	21.78	21.56
Neptune								
3600 Route 66	1989	180,000	100.0	2,400	2,171	0.44	13.33	12.06
Wall Township								
1305 Campus Parkway	1988	23,350	92.4	393	368	0.07	18.22	17.06
1350 Campus Parkway	1990	79,747	99.9	1,564	1,423	0.29	19.63	17.86
Morris County								
Florham Park								
325 Columbia Turnpike	1987	168,144	99.4	4,093	3,652	0.75	24.49	21.85
Morris Plains								
250 Johnson Road	1977	75,000	100.0	1,579	1,385	0.29	21.05	18.47
201 Littleton Road	1979	88,369	88.9	1,783	1,582	0.33	22.70	20.14
Morris Township								
412 Mt. Kemble Avenue	1986	475,100	33.5	81	81	0.01	0.51	0.51
Parsippany								
4 Campus Drive	1983	147,475	96.9	2,634	2,308	0.48	18.43	16.15
6 Campus Drive	1983	148,291	87.2	2,376	1,906	0.44	18.37	14.74
7 Campus Drive	1982	154,395	--	--	--	--	--	--
8 Campus Drive	1987	215,265	100.0	6,306	5,534	1.16	29.29	25.71
9 Campus Drive	1983	156,495	86.9	3,720	3,149	0.68	27.35	23.16
4 Century Drive	1981	100,036	71.9	1,592	1,444	0.29	22.13	20.08
5 Century Drive	1981	79,739	67.2	1,951	1,950	0.36	36.41	36.39
6 Century Drive	1981	100,036	69.9	28	22	0.01	0.40	0.31
2 Dryden Way	1990	6,216	100.0	93	93	0.02	14.96	14.96
4 Gatehall Drive	1988	248,480	85.4	5,190	4,707	0.95	24.46	22.18
2 Hilton Court	1991	181,592	100.0	5,089	4,600	0.93	28.02	25.33
1633 Littleton Road	1978	57,722	100.0	1,131	1,131	0.21	19.59	19.59
600 Parsippany Road	1978	96,000	94.7	1,235	1,020	0.23	13.58	11.22
1 Sylvan Way	1989	150,557	100.0	3,499	3,103	0.64	23.24	20.61
5 Sylvan Way	1989	151,383	100.0	3,929	3,592	0.72	25.95	23.73
7 Sylvan Way	1987	145,983	100.0	3,219	2,803	0.59	22.05	19.20

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35 Waterview Boulevard (g)	1990	172,498	92.2	2,774	2,491	0.51	26.86	24.12
5 Wood Hollow Road	1979	317,040	96.7	5,758	4,963	1.06	18.78	16.19

Passaic County

Clifton

777 Passaic Avenue	1983	75,000	100.0	1,517	1,375	0.28	20.23	18.33
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Totowa

999 Riverview Drive	1988	56,066	100.0	1,079	962	0.20	19.25	17.16
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Somerset County

Basking Ridge

222 Mt. Airy Road	1986	49,000	60.7	615	462	0.11	20.68	15.53
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233 Mt. Airy Road	1987	66,000	100.0	1,315	1,103	0.24	19.92	16.71
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**Office
Properties
(Continued)**

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/06 (%) (a)	2006		2006 Effective Rent Percentage of Total 2006 Base Rent (%)	2006	
				Base Rent (\$000's) (b) (c)	Effective Rent (\$000's) (c) (d)		Average Base Rent Per Sq. Ft. (\$) (c) (e)	Average Effective Rent Per Sq. Ft. (\$) (c) (f)
Bernards								
106 Allen Road	2000	132,010	97.0	3,027	2,273	0.56	23.64	17.75
Bridgewater								
721 Route 202/206	1989	192,741	97.0	3,984	3,757	0.73	21.31	20.10
Union County								
Clark								
100 Walnut Avenue	1985	182,555	99.8	4,737	4,145	0.87	26.00	22.75
Cranford								
6 Commerce Drive	1973	56,000	88.1	1,116	988	0.20	22.62	20.03
11 Commerce Drive (c)	1981	90,000	92.7	1,020	860	0.19	12.23	10.31
12 Commerce Drive	1967	72,260	95.1	991	817	0.18	14.42	11.89
14 Commerce Drive	1971	67,189	87.3	1,232	1,190	0.23	21.00	20.29
20 Commerce Drive	1990	176,600	100.0	4,332	3,806	0.80	24.53	21.55
25 Commerce Drive	1971	67,749	100.0	1,436	1,351	0.26	21.20	19.94
65 Jackson Drive	1984	82,778	95.5	1,918	1,706	0.35	24.26	21.58
New Providence								
890 Mountain Avenue	1977	80,000	87.1	1,775	1,672	0.33	25.47	24.00
Total New Jersey Office		17,537,754	91.7	354,747	316,402	65.13	22.40	19.97
NEW YORK								
Rockland County								
Suffern								
400 Rella Boulevard	1988	180,000	100.0	4,296	3,826	0.79	23.87	21.26
Westchester County								
Elmsford								
100 Clearbrook Road (c)	1975	60,000	99.5	1,131	1,040	0.21	18.94	17.42
101 Executive Boulevard	1971	50,000	45.3	511	462	0.09	22.56	20.40
555 Taxter Road	1986	170,554	100.0	4,173	3,499	0.77	24.47	20.52
565 Taxter Road	1988	170,554	100.0	4,052	3,511	0.74	23.76	20.59
570 Taxter Road	1972	75,000	95.9	1,843	1,708	0.34	25.62	23.75
Hawthorne								

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1 Skyline Drive	1980	20,400	99.0	388	365	0.07	19.21	18.07
2 Skyline Drive	1987	30,000	98.9	475	412	0.09	16.01	13.89
7 Skyline Drive	1987	109,000	95.3	2,532	2,324	0.46	24.37	22.37
17 Skyline Drive	1989	85,000	51.7	719	713	0.13	16.36	16.22
19 Skyline Drive	1982	248,400	100.0	4,471	4,174	0.82	18.00	16.80

**Office
Properties
(Continued)**

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Tarrytown								
200 White Plains Road	1982	89,000	97.9	1,824	1,655	0.33	20.93	18.99
220 White Plains Road	1984	89,000	92.0	1,819	1,670	0.33	22.22	20.40
White Plains								
1 Barker Avenue	1975	68,000	97.3	1,743	1,621	0.32	26.34	24.50
3 Barker Avenue	1983	65,300	91.0	1,631	1,494	0.30	27.45	25.14
50 Main Street	1985	309,000	98.0	9,249	8,496	1.70	30.54	28.06
11 Martine Avenue	1987	180,000	90.8	4,889	4,368	0.90	29.91	26.73
1 Water Street	1979	45,700	100.0	1,011	878	0.19	22.12	19.21
Yonkers								
1 Executive Boulevard	1982	112,000	100.0	2,779	2,484	0.51	24.81	22.18
3 Executive Plaza	1987	58,000	100.0	1,472	1,281	0.27	25.38	22.09
Total New York Office		2,214,908	94.7	51,008	45,981	9.36	24.31	21.92

PENNSYLVANIA

Chester County

Berwyn

1000 Westlakes Drive	1989	60,696	95.7	1,592	1,515	0.29	27.41	26.08
1055 Westlakes Drive	1990	118,487	90.2	2,885	2,334	0.53	26.99	21.84
1205 Westlakes Drive	1988	130,265	63.8	2,234	1,954	0.41	26.88	23.51
1235 Westlakes Drive	1986	134,902	97.7	2,789	2,436	0.51	21.16	18.48

Delaware County

Lester

100 Stevens Drive	1986	95,000	100.0	2,551	2,358	0.47	26.85	24.82
200 Stevens Drive	1987	208,000	100.0	5,598	5,252	1.03	26.91	25.25
300 Stevens Drive	1992	68,000	100.0	1,592	1,254	0.29	23.41	18.44

Media

1400 Providence Road - Center I	1986	100,000	96.8	2,038	1,838	0.37	21.05	18.99
1400 Providence Road - Center II	1990	160,000	95.8	3,346	2,921	0.61	21.83	19.06

Montgomery County

Bala Cynwyd

150 Monument Road

1981 125,783 98.4 2,387 2,286 0.44 19.29 18.47

Blue Bell

4 Sentry Parkway

1982 63,930 94.1 1,373 1,368