

**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, 2007
OR

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

COMMISSION FILE NUMBER 001-16785

American Spectrum Realty, Inc.

(Exact name of Registrant as specified in its charter)

State of Maryland _____ (State or other jurisdiction of incorporation or organization)	52-2258674 _____ (I.R.S. Employer Identification No.)
5850 San Felipe, Suite 450 Houston, Texas 77057 _____ (Address of principal executive offices)	77057 _____ (Zip Code)

(713) 706-6200

(Registrant's telephone number, including area code)

(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 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 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 Act).
 Yes No

As of April 30, 2007, 1,377,054 shares of Common Stock (\$.01 par value) were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN SPECTRUM REALTY, INC. CONSOLIDATED CONDENSED BALANCE SHEETS (Dollars in thousands, except share amounts)

ASSETS	March 31, 2007	December 31, 2006
	(Unaudited)	
Real estate held for investment	\$ 213,285	\$ 211,109
Accumulated depreciation	(41,103)	(38,296)
Real estate held for investment, net	172,182	172,813
Cash and cash equivalents	817	1,166
Tenant and other receivables, net of allowance for doubtful accounts of \$213 and \$243, respectively	335	470
Deferred rents receivable	1,836	1,536
Investment in management company	4,000	4,000
Prepaid and other assets, net	8,363	10,197
Total Assets	\$ 187,533	\$ 190,182
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Notes payable, including premiums of \$1,352 and \$1,460, respectively	\$ 155,228	\$ 155,036
Deferred tax liability	5,060	5,752
Accounts payable	2,469	2,461
Accrued and other liabilities	4,882	5,549
Total Liabilities	167,639	168,798
Minority interest	5,749	6,045
Stockholders' Equity:		
Preferred stock, \$.01 par value; authorized, 25,000,000 shares, none issued and outstanding	-	-
Common stock, \$.01 par value; authorized, 100,000,000 shares; issued, 1,609,304 and 1,606,179 shares, respectively; outstanding, 1,377,054 and 1,379,429 shares, respectively	16	16
Additional paid-in capital	46,646	46,553
Accumulated deficit	(29,492)	(28,355)
Treasury stock, at cost, 232,250 and 226,750 shares, respectively	(3,025)	(2,875)
Total Stockholders' Equity	14,145	15,339
Total Liabilities and Stockholders' Equity	\$ 187,533	\$ 190,182

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

AMERICAN SPECTRUM REALTY, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2007	2006
REVENUES:		
Rental revenue	\$ 7,264	\$ 5,577
Interest and other income	37	74
Total revenues	7,301	5,651
EXPENSES:		
Property operating expense	3,003	2,496
General and administrative	727	920
Depreciation and amortization	2,976	2,461
Interest expense	2,598	2,185
Total expenses	9,304	8,062
Loss from continuing operations before deferred income tax benefit and minority interest	(2,003)	(2,411)
Deferred income tax benefit	692	-
Loss from continuing operations before minority interest	(1,311)	(2,411)
Minority interest (share from continuing operations)	174	321
Loss from continuing operations	(1,137)	(2,090)
Discontinued operations:		
Loss from operations	-	(65)
Gain on sale of discontinued operations	-	22,349
Minority interest	-	(2,968)
Income from discontinued operations	-	19,316
Net (loss) income	\$ (1,137)	\$ 17,226
Basic and diluted per share data:		
Net loss from continuing operations	\$ (0.83)	\$ (1.50)
Income from discontinued operations	-	13.87
Net (loss) income	\$ (0.83)	\$ 12.37
Basic and diluted weighted average shares used	1,376,804	1,392,089

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

AMERICAN SPECTRUM REALTY INC.
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands)
(Unaudited)

	Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total Equity
Balance, January 1, 2007	1,606,179	\$ 16	\$ 46,553	\$ (28,355)	\$ (2,875)	\$ 15,339
Common stock repurchase		-	-	-	(150)	(150)
Exercise of stock options	3,125	-	85	-	-	85
Stock-based compensation		-	8	-	-	8
Net loss		-	-	(1,137)	-	(1,137)
Balance, March 31, 2007	<u>1,609,304</u>	<u>\$ 16</u>	<u>\$ 46,646</u>	<u>\$ (29,492)</u>	<u>\$ (3,025)</u>	<u>\$ 14,145</u>

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

AMERICAN SPECTRUM REALTY, INC
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (1,137)	\$ 17,226
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,976	2,536
Deferred rental (income) expense	(300)	11
Minority interest	(174)	2,647
Net gain on sales of real estate assets	-	(22,349)
Stock-based compensation expense	8	8
Income tax benefit	(692)	-
Amortization of note payable premiums, included in interest expense	(108)	(109)
Changes in operating assets and liabilities:		
Decrease in tenant and other receivables	143	96
Increase (decrease) in accounts payable	8	(930)
Decrease in prepaid and other assets	1,665	397
(Decrease) increase in accrued and other liabilities	(684)	123
Net cash provided by (used in) operating activities	1,705	(344)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds received from sales of real estate assets	-	33,583
Real estate acquisition	(748)	-
Capital improvements to real estate assets	(1,419)	(916)
Net cash (used in) provided by investing activities:	(2,167)	32,667
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	750	-
Repayment of borrowings – property sales	-	(26,165)
Repayment of borrowings – scheduled payments	(450)	(398)
Note payments, litigation settlement	-	(4,877)
Repurchase of common stock	(150)	-
Acquisition of minority interest in the operating partnership	(122)	-
Proceeds from exercise of stock options	85	32
Net cash provided by (used in) financing activities:	113	(31,408)
Decrease (increase) in cash	(349)	915
Cash and cash equivalents, beginning of period	1,166	300
Cash and cash equivalents, end of period	\$ 817	\$ 1,215
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 2,653	\$ 2,309
Cash paid for income taxes	4	10
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of operating partnership units into common stock	\$ -	\$ -
Debt assumed in connection with acquisitions of real estate assets	-	11,302
Borrowings in connection with acquisitions of real estate assets	-	16,452

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

AMERICAN SPECTRUM REALTY, INC.
Notes to Consolidated Condensed Financial Statements

NOTE 1. DESCRIPTION OF BUSINESS

American Spectrum Realty, Inc. ("ASR" or, collectively, as a consolidated entity with its subsidiaries, the "Company") is a Maryland corporation established on August 8, 2000. The Company is a full-service real estate corporation, which owns, manages and operates income-producing properties. Substantially all of the Company's assets are held through an operating partnership (the "Operating Partnership") in which the Company, as of March 31, 2007, held the sole general partner interest of .98% and a limited partnership interest totaling 86.01%. As of March 31, 2007, through its majority-owned subsidiary, the Operating Partnership, the Company owned and operated 27 properties, which consisted of 22 office buildings, four industrial properties, and one shopping center. The 27 properties are located in six states.

During the first quarter of 2007, the Company purchased a 22,000 square feet industrial building located in Houston, Texas. The building is fully occupied by a single tenant. No properties were sold during the first quarter of 2007. During 2006, the Company purchased six office properties located in Houston, Texas and one office property located in Victoria, Texas. Three properties were sold during 2006, which consisted of an industrial property and an office building located in San Diego, California and an office building located in Palatine, Illinois. The property acquisitions are part of the Company's strategy to acquire multi-tenant office and industrial properties located in its core markets of Texas, California and Arizona.

The Board of Directors has concluded that it is not in the best interests of the Company to elect to be treated as a real estate investment trust (or REIT), as defined under the Internal Revenue Code of 1986, as amended. In May 2006, the Company's stockholders approved an amendment to the Company's Articles of Incorporation, which removed a provision restricting the ability of stockholders to acquire shares in excess of certain ownership limitations. This provision had been included in the Articles to preserve the Company's ability to elect to be taxed as a REIT in the future, since one of the requirements of REIT status is that not more than 50% of a REIT's equity securities may be held by 5 or fewer stockholders.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted pursuant to these rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. In the opinion of the Company, these financial statements contain all adjustments necessary to present fairly its financial position as of March 31, 2007 and December 31, 2006 and the results of its operations and changes in its cash flows for all periods presented as of March 31, 2007 and 2006. All adjustments represent normal recurring items. The results interim periods are not necessarily indicative of results for a full year. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. Certain prior year amounts have been reclassified to conform with the 2007 presentation.

All significant intercompany transactions, receivables and payables have been eliminated in consolidation.

RECLASSIFICATIONS

Certain prior year balances have been reclassified to conform with the current year presentation. In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", real estate assets designated as held for sale are accounted for in accordance with the provisions of SFAS No. 144 and the results of operations of these properties are included in income from discontinued operations. Prior periods have been reclassified for comparability, as required.

SEGEMENT REPORTING

As of March 31, 2007, the Company has determined that it operates as one business operating and reportable segment.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement," effective for the Company's fiscal year beginning January 1, 2008. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement does not require any new fair value measurements, but simplifies and codifies related guidance within General Accepted Accounting Principles. This Statement applies under other accounting pronouncements that require or permit fair value measurements. The Company is currently reviewing this pronouncement, but believes it will not have a material impact on its financial statements.

STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"), using the modified prospective transition method and, therefore, has not restated results for prior periods. Under this transition method, stock-based compensation expense for the first quarter of 2006 included compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provision of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. The Company is recognizing these compensation costs on a straight-line basis over the requisite service period of the award, which range from immediate vesting to vesting over a three-year period. Prior to the January 1, 2006 adoption of SFAS 123R, the Company recognized stock-based compensation expense in accordance with Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") regarding the SEC's interpretation of SFAS 123R and the valuation of share-based payments for public companies. The Company has applied the provisions of SAB 107 in its adoption of SFAS 123R. See Note 8 for a further discussion on stock-based compensation.

MINORITY INTEREST

Unit holders in the Operating Partnership (other than the Company) held a 13.01% and 13.27% limited partnership interest in the Operating Partnership at March 31, 2007 and December 31, 2006, respectively. Each of the holders of the interests in the Operating Partnership (other than the Company) has the option (exercisable after the first anniversary of the issuance of the OP Units) to redeem its OP Units and to receive, at the option of the Company, in exchange for each four OP Units, either (i) one share of Common Stock of the Company, or (ii) cash equal to the value of one share of Common Stock of the Company at the date of conversion, but no fractional shares will be issued.

NET INCOME (LOSS) PER SHARE

Net income (loss) per share is calculated based on the weighted average number of common shares outstanding. The Company incurred losses from continuing operations for each of the three months ended March 31, 2007 and 2006. In accordance with SFAS No. 128, *Earnings Per Share*, stock options outstanding of 32,813 and 37,063 and OP Units (other than those held by the Company) outstanding of 827,883 and 857,159 (convertible into approximately 206,971 and 214,289 shares of common stock), at March 31, 2007 and 2006, respectively, have not been included in the Company's net income (loss) per share calculations for periods presented since their effect would be anti-dilutive.

INCOME TAXES

The Board of Directors has concluded that it is not in the best interests of the Company to elect to be treated as a real estate investment trust (or REIT), as defined under the Internal Revenue Code of 1986, as amended.

In May 2006, the Company's stockholders approved an amendment to the Company's Articles of Incorporation, which removed a provision restricting the ability of stockholders to acquire shares in excess of certain ownership limitations. This provision has been included in the Articles to preserve the Company's ability to elect to be taxed as a REIT in the future, since one of the requirements of REIT status is that not more than 50% of a REIT's equity securities may be held by 5 or fewer stockholders. The removal of this restriction effectively precludes the Company from making an election to be taxed as a REIT. (A REIT typically is not subject to federal income taxation of its net income, provided applicable income tax requirements are satisfied). Since its inception, the Company has been taxed as a C corporation.

Due to the uncertainty of whether the Company would elect REIT status and due to the uncertainty of gains and losses that would be recognized on property sales, no tax provision was recorded during the three months ended March 31, 2006 and interim periods in prior years. (Factors which contributed to the uncertainty of gains and losses that would be recognized on property sales included the number of properties the Company would eventually sell during the year, the sales price to be obtained on each sale, the timing of when the sale would occur, and whether such sale would be part of a tax-deferred exchange or an outright sale with full gain or loss recognition). With the removal, in May 2006, of the uncertainty relating to the Company's ability to elect REIT status, the Company determined that a tax provision should be recorded in future interim periods.

In preparing the Company's consolidated financial statements, management estimates the income tax in each of the jurisdictions in which the Company operates. This process includes an assessment of current tax expense, the results of tax examinations, and the effects of temporary differences resulting from the different treatment of transactions for tax and financial accounting purposes. These differences may result in deferred tax assets or liabilities which are included in the consolidated balance sheet. The realization of deferred tax assets as a result of future taxable income must be assessed and to the extent that the realization is doubtful, a valuation allowance is established. The Company's income tax provision is based on calculations and assumptions that will be subject to examination by the taxing authorities in the jurisdictions in which the Company operates. Should the actual results differ from the Company's estimates, the Company would have to adjust the income tax provision in the period in which the facts and circumstances that give rise to the revision become known. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

In May 2006, the State of Texas enacted a margin tax which will become effective in 2008. This margin tax will require each of the Company's limited partnerships and limited liability companies that operate in Texas to pay a tax of 1.0% on their "margin" as defined in the law, beginning in 2008 based on 2007 results. The legislation revises the Texas franchise tax to create a new tax on virtually all Texas businesses. The margin tax did not have a material effect on the Company's deferred income tax liability.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109" ("FIN 48"). This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's financial statements. FIN 48 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. Effective January 1, 2007, the Company adopted the provisions of FIN 48 and there was no material effect on its financial statements. As a result, there was no cumulative effect related to adopting FIN 48.

As of January 1, 2007 and March 31, 2007, the Company had unrecognized tax benefits of approximately \$117,000, all of which would affect our effective tax rate if recognized. The Company does not expect that the amounts of unrecognized tax benefits will change significantly within the next 12 months. The Company's policy is to recognize interest related to any unrecognized tax benefits as interest expense and penalties as operating expenses. There are no significant penalties or interest accrued at March 31, 2007.

The Company believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. The Company's federal and state income tax returns are open to audit under the statute of limitations for the years ending December 31, 2002 through 2006.

NOTE 3. REAL ESTATE

ACQUISITIONS

2007.

During the first quarter of 2007, the Company purchased a 22,000 square foot industrial building located in Houston, Texas. The building is leased in full by a single tenant. The building is part of a 400,000 square foot industrial park. The acquisition was funded with proceeds from a short-term bank loan. On April 4, 2007, the property was collateralized with a new mortgage loan. On April 27, 2007, the Company acquired the remaining 22 buildings at the industrial park. See Note 11.

2006.

During the second quarter of 2006, the Company purchased three office properties: two located in Houston, Texas and one located in Victoria, Texas. The three properties have an aggregate rentable square footage of 192,747 square feet. Acquisition costs consisted of the assumption of debt, seller financing and use of proceeds from tax-deferred exchanges.

During the first quarter of 2006, the Company purchased four office properties located in Houston, Texas. The four properties have an aggregate rentable square footage of 381,605 square feet. Acquisition costs consisted of a new mortgage loan, the assumption of debt, seller financing and use of proceeds from tax-deferred exchanges.

DISPOSITIONS

2007.

No properties were sold during the first quarter of 2007.

2006.

During the first quarter of 2006, the Company sold three properties for an aggregate sales price of \$46,508,000. Sorrento II, an 88,073 square foot industrial property located in San Diego, California was sold January 6, 2006. Mira Mesa, an 88,295 square foot office property located in San Diego, California was sold January 13, 2006. Countryside, an 92,873 square foot office property located in Palatine, Illinois was sold March 14, 2006. Proceeds of approximately \$11,300,000 (net of debt repayments and sales costs) were received as a result of the transactions, of which approximately \$6,300,000 was used to assist the funding of acquisitions in tax-deferred exchanges. The Company recorded a gain on sale of \$22,349,000 in connection with the transactions, which are reflected as discontinued operations in the consolidated statements of operations.

NOTE 4. DISCONTINUED OPERATIONS

There were no discontinued operations for the three months ended March 31, 2007.

Net income from discontinued operations of \$19,316,000 for the three months ended March 31, 2006 includes gains generated on the sales of Sorrento II, Mira Mesa, and Countryside, and the properties' operating results through their respective disposition dates.

The condensed consolidated statement of operations of discontinued operations for the three months ended March 31, 2006 is summarized below (dollars in thousands):

Condensed Consolidated Statements of Operations
March 31, 2006

Rental revenue	\$ 381
Total expenses	446
Loss from discontinued operations before gain on sale	(65)
Gain on sale of discontinued operations	22,349
Minority interest from discontinued operations	(2,968)
Income from discontinued operations	<u>\$ 19,316</u>

NOTE 5. NOTES PAYABLE, NET OF PREMIUMS

The Company had the following notes payable outstanding as of March 31, 2007 and December 31, 2006 (dollars in thousands):

Property (unless otherwise noted)	Maturity Date	March 31, 2007		December 31, 2006	
		Principal Balance	Interest Rate	Principal Balance	Interest Rate
<i>Fixed Rate</i>					
Pacific Spectrum	6/10/2009	\$ 5,479	8.02%	\$ 5,500	8.02%
1501 Mockingbird	6/30/2009	307	6.00%	308	6.00%
6430 Richmond Atrium	6/30/2009	733	5.50%	736	5.50%
6420 Richmond Atrium	7/1/2009	6,342	5.50%	6,342	5.50%
Morenci Professional Park	12/1/2009	1,683	6.60%	1,704	6.60%
7700 Building	7/10/2010	33,045	8.50%	33,147	8.50%
Columbia	7/1/2011	2,237	7.15%	2,242	7.15%
Bristol Bay	8/1/2011	7,168	7.58%	7,192	7.58%
Technology	8/1/2011	7,418	7.44%	7,443	7.44%
Creekside	12/1/2011	6,053	7.17%	6,074	7.17%
16350 Park Ten Place	5/11/2012	4,627	7.45%	4,642	7.45%
16360 Park Ten Place	5/11/2012	3,625	7.45%	3,637	7.45%
2855 Mangum	5/11/2012	2,671	7.45%	2,680	7.45%
2855 Mangum	5/11/2012	1,572	6.00%	1,586	6.00%
6430 Richmond Atrium	5/11/2012	2,242	7.45%	2,249	7.45%
Southwest Pointe	6/1/2012	2,813	7.33%	2,822	7.33%
16350 Park Ten Place	5/11/2012	511	7.45%	512	7.45%
16360 Park Ten Place	8/11/2012	400	7.45%	402	7.45%
11500 Northwest Freeway	6/1/2014	4,251	5.93%	4,267	5.93%
11500 Northwest Freeway	6/1/2014	307	5.93%	308	5.93%
5850 San Felipe	8/1/2014	5,322	5.65%	5,342	5.65%
Northwest Corporate Center	8/1/2014	5,580	6.26%	5,599	6.26%
14741 Yorktown	9/1/2014	8,600	5.32%	8,600	5.32%
8100 Washington	2/22/2015	2,290	5.59%	2,298	5.59%
8300 Bissonnet	5/1/2015	4,708	5.51%	4,724	5.51%
1501 Mockingbird	7/1/2015	3,350	5.28%	3,350	5.28%
5450 Northwest Central	9/1/2015	2,744	5.38%	2,754	5.38%
800 Sam Houston Parkway	12/29/2015	2,457	6.25%	2,466	6.25%
888 Sam Houston Parkway	12/29/2015	2,457	6.25%	2,466	6.25%
2401 Fountainview	3/1/2016	12,599	5.82%	12,640	5.82%
12000 Westheimer	1/1/2017	4,250	5.70%	4,250	5.70%
Gray Falls	1/1/2017	3,100	5.70%	3,100	5.70%
	Subtotal	\$ 150,941		\$ 151,382	
<i>Variable Rate</i>					
Corporate – Unsecured (1)	6/23/2007	750	8.50%	-	-
Corporate – Unsecured	5/31/2008	200	9.25%	200	9.25%
Corporate – Secured	10/1/2008	1,985	8.07%	1,994	8.07%
	Subtotal	\$ 2,935		\$ 2,194	
Loan Premiums		1,352		1,460	
	Total	\$ 155,228		\$ 155,036	

(1) Loan was paid off in April 2007.

With the exception of scheduled monthly principal payments, the Company has currently no mortgage debt due to mature in 2007.

On March 23, 2007, the Company obtained a short-term bank loan of \$750,000. The proceeds were used to fund the acquisition of a 22,000 square foot industrial building. On April 4, 2007, the bank refinanced the loan with a \$975,000 mortgage loan secured by the property. Net proceeds of \$191,000 were received in connection with the refinance. The mortgage loan, which bears interest at prime plus .25%, matures in April 2008.

In 2002, the lender under a loan agreement related to two South Carolina shopping center properties notified the Company it was technically in default under its loan agreement for non-compliance with certain covenants, including covenants requiring improvements to shopping center properties. Thereafter, the lender notified the Company that it was in default for failure to pay a matured portion of the loan, which matured in November 2002. In early 2003, the lender sold the loan to the major tenant in two of the shopping centers. In December 2003, the Company sold one of the shopping center properties and repaid \$3,935,000, which included the pay-off of the matured portion of the loan. The payment reduced the balance of the loan to \$2,756,000. On May 1, 2006, the Company entered into a settlement and mortgage satisfaction agreement with the current lender and paid \$1,500,000, which fully satisfied the loan.

NOTE 6. MINORITY INTEREST

OP Units (other than those held by the Company) of 827,883 (convertible into approximately 206,971 shares of common stock) were outstanding as of March 31, 2007.

During three months ended March 31, 2007 a total of 17,624 OP Units were redeemed for cash. No OP Units were exchanged for stock during the first quarter of 2007.

During the year ended December 31, 2006, a total of 7,768 OP Units were exchanged for 1,940 shares of Common Stock and a total of 3,884 OP Units were redeemed for cash.

NOTE 7. REPURCHASE OF COMMON STOCK

In January 2006, the Company's Board of Directors authorized the repurchase of up to an additional 100,000 shares of its common stock, which increased the authorized amount to 200,000 shares. The stock repurchases would be made from time to time in open market transactions.

During 2006, a total of 18,130 shares were repurchased in open market transactions. In addition, 219 shares were repurchased in a private transaction. The total cost of the 18,349 shares repurchased during the year amounted to \$395,000 at an average price of \$21.51 per share, inclusive of transaction fees.

During the first quarter of 2007, a total of 5,500 shares were repurchased in an open market transaction, increasing the total number of shares repurchased to 119,116 as of March 31, 2007. The total cost of the 5,500 shares repurchased amounted to \$150,000 at a price of \$27.26 per share inclusive of transaction fees.

NOTE 8. STOCK-BASED COMPENSATION

The Company has in effect the Omnibus Stock Incentive Plan (the "Plan"), which is administered by the Board of Directors, and provides for the granting of incentive and non-qualified stock options, stock appreciation rights, restricted stock, performance units and performance shares. The Board has reserved a total of 180,000 shares under the Plan. As of March 31, 2007, 118,876 ASR shares were available for issuance to executive officers, directors or other key employees of the Company.

As a result of the January 1, 2006 adoption of SFAS No. 123R, the Company recognized compensation expense for the three months ended March 31, 2007 and March 31, 2006 of \$8,000 and \$8,000, respectively, which is included in general and administrative expense in its consolidated condensed statement of operations. The impact on both basic and diluted earnings per share for three months ended March 31, 2007 and March 31, 2006 was \$.01 per share and \$.01 per share, respectively. Compensation expense of \$48,000 will be recognized over the next three years related to unvested stock options.

Stock Options

No stock options were granted during the first quarter of 2007. During the second quarter of 2006, the Company granted 7,500 stock options to its non-employee board members. The stock options have 10-year contractual terms and vest over a three-year period, with the first 25% vesting immediately. The estimated grant date fair value of the options granted during the second quarter of 2006 was \$10.00.

The fair value of the options issued during the second quarter of 2006 was estimated, as of the grant date, using the Black-Scholes option-pricing model with the following assumptions: expected volatility of 51%; risk-free interest rate of 5.12%; and 6-year expected life. Due to its limited history as a public entity, the Company used a blended method in computing its estimate of expected volatility. The Company considered both its own historical stock price fluctuations and stock price fluctuations from another public real estate entity comparable in size.

The fair value of each option granted prior to January 1, 2006 was estimated, as of the grant date, using the Black-Scholes option-pricing model. Assumptions used for the 6,250 stock options granted during 2005 included expected volatility of 62%; risk-free interest rate of 4.28%; and 10-year expected life. Assumptions used for the 6,250 stock options granted during 2004 included expected volatility of 40%; risk-free interest rate of 4.50%; and 10-year expected life. Due to its limited history as a public entity, the Company assumed a 10-year expected life on all options granted prior to January 1, 2006.

The Company has a policy of issuing new shares upon the exercise of stock options. During the three months ended March 31, 2007, a total of 3,125 options were exercised. Cash of \$85,000 was received from the exercise of these options.

The following table summarizes activity and outstanding stock options under the plan:

	Shares Under Option	Weighted Average Exercise Price	Average Intrinsic Value
Outstanding on January 1, 2007	35,938	\$26.19	
Granted	-	-	
Forfeited	-	-	
Exercised	(3,125)	\$27.08	\$ -
Outstanding on March 31, 2007	32,813	\$22.80	\$ 324,472
Exercisable as of March 31, 2007	23,438	\$26.07	\$ 208,006

The following table summarizes certain information for stock options outstanding on March 31, 2007:

Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$8.10 - \$12.20	14,688	6.8 years	\$10.58
\$18.25 - \$27.16	12,500	6.4 years	\$20.41
\$60.00 - \$60.00	5,625	4.6 years	\$60.00

The following table summarizes certain information for stock options exercisable on March 31, 2007:

Range of Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$8.10 - \$12.20	10,938	\$11.08
\$18.25 - \$27.16	6,875	\$22.17
\$60.00 - \$60.00	5,625	\$60.00

A summary of the status of the Company's nonvested stock options as of March 31, 2007 and changes during the three months ended March 31, 2007 is presented below:

Nonvested Stock Options	Stock Options	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2007	9,374	\$8.48
Granted	-	-
Vested	-	-
Forfeited	-	-
Nonvested at March 31, 2007	<u>9,374</u>	<u>\$8.48</u>

As of March 31, 2007, unrecognized compensation cost related to nonvested shares under the Plan amounted to \$48,000. That cost is expected to be recognized over a weighed average period of three years.

Restricted Stock

No restricted stock has been issued under the Plan since 2002. Recipients of restricted stock have the right to vote all shares, to receive and retain all cash dividends payable to holders of shares of record on or after the date of issuance and to exercise all other rights, powers and privileges of a holder of Company shares, with the exception that the recipient may not transfer the shares during the restriction period. Compensation expense is recognized on a straight-line basis over the vesting period. As of March 31, 2007, all 27,375 shares issued as restricted stock were fully vested and compensation expense for all restricted shares issued has been recognized. No compensation expense related to restricted shares was recognized during the three months ended March 31, 2007 and March 31, 2006.

NOTE 9. RELATED PARTY TRANSACTIONS

In July 2006, the Company reimbursed John N. Galardi, a director and principal stockholder, \$250,810 for legal fees paid by him in prior years. The fees were incurred in connection with Mr. Galardi's defense of a litigation matter in which he was named as a defendant by reason of his association with the Company. Expenses not previously recognized on this obligation, which totaled approximately \$174,000, were expensed during the second and third quarters of 2006.

The Company pays a guarantee fee to William J. Carden, Mr. Galardi and CGS Real Estate Company, Inc. ("CGS"), a company owned indirectly by Messrs. Carden and Galardi ("the Guarantors"), in consideration for their guarantees of certain obligations of the Company. Mr. Carden is the Chief Executive Officer, a director and a principal stockholder of the Company. The Guarantors are paid an annual guarantee fee equal to between .25% and .75% (depending on the nature of the guarantee) of the outstanding balance as of December 31 of the guaranteed obligations ("Guarantee Fee"). The Guarantee Fee is paid for a maximum of three years on any particular obligation. In December 2006, the Company paid \$172,109 in Guarantee Fees, of which \$161,442 was related to 2005 and \$10,667 related to 2006.

During 2004 and 2003, the Company made payments totaling \$81,000 and \$1,000,000, respectively, on its indebtedness to an entity affiliated with Mr. Carden and Mr. Galardi, reducing the balance due to \$170,321 as of December 31, 2005. In 2006, the Company paid the remaining balance due of \$170,321.

NOTE 10. COMMITMENTS AND CONTINGENCIES

The following is information concerning legal proceedings to which the Company or its subsidiaries is a party or of which any of their property is subject:

The Company is aware that two of its properties may contain hazardous substances above reportable levels. One of the properties is located in the State of Indiana. The Company retained an environmental expert that developed a clean up and monitoring plan that has been approved by the State of Indiana. In 2005, the Company accrued \$75,000 for the future environmental cleanup and monitoring. The other property is located in the State of South Carolina and is included in a special fund sponsored by the state. The timing of the cleanup is dependent on the State's priorities and state funds will cover the costs for the cleanup. As such, no liability has been accrued on the Company's books for this property.

Certain claims and lawsuits have arisen against the Company in its normal course of business. The Company believes that such claims and lawsuits will not have a material adverse effect on the Company's financial position, cash flow or results of operations.

NOTE 11. SUBSEQUENT EVENTS

On April 23, 2007, the Company acquired two retail properties located in Houston, Texas. 8 Centre, located in Northwest Houston, consists of approximately 48,000 square feet and is currently 92% leased. The project includes 11 acres of undeveloped land on which the Company anticipates developing a rental industrial property of 75,000 to 100,000 square feet. Windrose, located in North Houston, is currently under construction and is 75% pre-leased. The project will contain approximately 28,000 square feet of retail space upon completion, which is anticipated within the next 90 days. Acquisition costs for the two properties were funded with mortgage debt and cash.

On April 27, 2007, the Company completed the acquisition of an industrial park located in Houston, Texas. The property consists of approximately 400,000 square feet. One of the property's 23 buildings, which accounts for 22,000 square feet of the property, was acquired in March 2007 (See Note 3). The industrial park, which is located in Northwest Houston, is currently 73% leased. Acquisition costs of the property were primarily funded with mortgage debt with the remainder in cash.

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

OVERVIEW

American Spectrum Realty, Inc. ("ASR" or, collectively, as a consolidated entity with its subsidiaries, the "Company") is a Maryland corporation established on August 8, 2000. The Company is a full-service real estate corporation, which owns, manages and operates income-producing properties. Substantially all of the Company's assets are held through an operating partnership (the "Operating Partnership") in which the Company, as of March 31, 2007, held the sole general partner interest of .98% and a limited partnership interest totaling 86.01%. As of March 31, 2007, through its majority-owned subsidiary, the Operating Partnership, the Company owned and operated 27 properties, which consisted of 22 office buildings, four industrial properties, and one shopping center. The 27 properties are located in six states.

During the first quarter of 2007, the Company purchased a 22,000 square foot industrial building located in Houston, Texas. The building is fully occupied by a single tenant. No properties were sold during the first quarter of 2007. During 2006, the Company purchased six office properties located in Houston, Texas and one office property located in Victoria, Texas. Three properties were sold during 2006, which consisted of an industrial property and an office building located in San Diego, California and an office building located in Palatine, Illinois. The property acquisitions are part of the Company's strategy to acquire multi-tenant office and industrial properties located in its core markets of Texas, California and Arizona.

The properties held for investment by the Company were 91% occupied at March 31, 2007 and 87% occupied at March 31, 2006. The Company continues to aggressively pursue prospective tenants to increase its occupancy, which if successful, should have the effect of improving operational results.

In the accompanying financial statements, the results of operations of properties sold in the first quarter of 2006 are shown in the section "Discontinued operations". No properties were classified as "Real estate held for sale" at March 31, 2007 and December 31, 2006. Therefore, the revenues and expenses reported for the periods presented reflect results from properties currently owned.

CRITICAL ACCOUNTING POLICIES

The major accounting policies followed by the Company are listed in Note 2 – Summary of Significant Accounting Policies – of the Notes to the Consolidated Financial Statements. The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America, which require 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 results of operations during the reporting period. Actual results could differ materially from those estimates.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

- Certain leases provide for tenant occupancy during periods for which no rent is due or where minimum rent payments increase during the term of the lease. The Company records rental income for the full term of each lease on a straight-line basis. Accordingly, a receivable, if deemed collectible, is recorded from tenants equal to the excess of the amount that would have been collected on a straight-line basis over the amount collected and currently due (Deferred Rent Receivable). When a property is acquired, the term of existing leases is considered to commence as of the acquisition date for purposes of this calculation.
- Many of the Company's leases provide for Common Area Maintenance ("CAM")/Escalations ("ESC") as the additional tenant revenue amounts due to the Company in addition to base rent. CAM/ESC represents increases in certain property operating expenses (as defined in each respective lease agreement) over the actual operating expense of the property in the base year. The base year is stated in the lease agreement; typically, the year in which the lease commenced. Generally, each tenant is responsible for his prorated share of increases in operating expenses.

Tenants are billed an estimated CAM/ESC charge based on the budgeted operating expenses for the year. Within 90 days after the end of each fiscal year, a reconciliation and true up billing of CAM/ESC charges is performed based on actual operating expenses.

- Rental properties are stated at cost, net of accumulated depreciation, unless circumstances indicate that cost, net of accumulated depreciation, cannot be recovered, in which case the carrying value of the property is reduced to estimated fair value. Estimated fair value (i) is based upon the Company's plans for the continued operation of each property and (ii) is computed using estimated sales price, as determined by prevailing market values for comparable properties and/or the use of capitalization rates multiplied by annualized net operating income based upon the age, construction and use of the building. The fulfillment of the Company's plans related to each of its properties is dependent upon, among other things, the presence of economic conditions which will enable the Company to continue to hold and operate the properties prior to their eventual sale. Due to uncertainties inherent in the valuation process and in the economy, the actual results of operating and disposing of the Company's properties could be materially different than current expectations.
- Gains on property sales are accounted for in accordance with the provisions of SFAS No. 66, *Accounting for Sales of Real Estate*. Gains are recognized in full when real estate is sold, provided (i) the gain is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (ii) the earnings process is virtually complete, that is, the Company is not obligated to perform significant activities after the sale to earn the gain. Losses on property sales are recognized immediately.

RESULTS OF OPERATIONS

Discussion of the three months ended March 31, 2007 and 2006.

The following table shows a comparison of rental revenues and certain expenses for the quarter ended March 31:

	2007	2006	Variance	
			\$	%
Rental revenue	\$ 7,264,000	\$ 5,577,000	1,687,000	30.2%
Operating expenses:				
Property operating expenses	3,003,000	2,496,000	507,000	20.3%
General and administrative	727,000	920,000	(193,000)	(21.0%)
Depreciation and amortization	2,976,000	2,461,000	515,000	20.9%
Interest expense	2,598,000	2,185,000	413,000	18.9%

Rental revenue. Rental revenue increased \$1,687,000, or 30.2%, for the three months ended March 31, 2007 in comparison to the three months ended March 31, 2006. This increase was attributable to \$1,399,000 in revenue generated from seven office properties acquired during 2006 in addition to \$288,000 in greater revenues from properties owned for the full three months ended March 31, 2007 and March 31, 2006 ("Same Properties"). This increase in Same Properties revenue was primarily due to an increase in occupancy. The weighted average occupancy of the Company's properties increased to 91% at March 31, 2007 from 87% at March 31, 2006. Rental revenue from the acquired properties was included in the Company's results since their respective dates of acquisition.

Property operating expenses. The increase of \$507,000, or 20.3% was primarily due to expenses of \$704,000 related to the seven acquired properties mentioned above. This increase was offset in part by a decrease in Same Property operating expenses of \$197,000. The decrease in Same Property operating expenses was due, in part, to a decrease in maintenance and repair costs incurred during the first quarter of 2007, principally related to heating and air conditioning. The Company also experienced a decrease in property level general and administrative costs, including personnel costs. This decrease was attributable to the Company's ability to allocate such costs over a larger portfolio base as a result of the acquired properties. Further, bad debt expense decreased primarily due to more aggressive collection efforts instituted by management.

General and administrative. General and administrative costs decreased \$193,000, or 21.0% for the three months ended March 31, 2007 in comparison to the three months ended March 31, 2006. The decrease was primarily due to lower legal fees incurred during the quarter ended March 31, 2007. During the quarter ended March 31, 2006, the Company accrued a \$150,000 liability in regards to a litigation matter that was subsequently settled during the second quarter of 2006.

Depreciation and amortization. The increase of \$515,000, or 20.9%, was primarily attributable to depreciation and amortization of \$441,000 related to the seven properties acquired in 2006. The increase was also due to the depreciation of additional capital improvements and amortization of capitalized lease costs incurred between April 2006 and March 2007. The capital improvements were primarily for renovations and tenant improvements corresponding to the increase in the weighted average occupancy of the Company's properties.

Interest expense. The increase of \$413,000, or 18.9%, was primarily attributable to interest expense of \$473,000 related to the seven properties acquired during 2006. This increase was partially offset by the pay-off of the remaining \$4,877,000 balance on the Company's litigation notes in January 2006.

Deferred income taxes. The Company recognized a deferred income tax benefit of \$692,000 for the three months ended March 31, 2007. The benefit was based on operating results from continuing operations. Due to the uncertainty, as of March 31, 2006, whether the Company would ultimately elect REIT status and due to the uncertainty of gains and losses that would be recognized on property sales, no tax provision was recorded during the three months ended March 31, 2006.

Minority interest from continuing operations. The share of loss from continuing operations for the three months ended March 31, 2007 for the holders of OP Units was \$174,000 compared to a share of loss of \$321,000 for the three months ended March 31, 2006. The losses represents an average of 13.3% limited partner interest in the Operating Partnership not held by the Company during the quarters ended March 31, 2007 and March 31, 2006.

Discontinued operations. The Company recorded net income from discontinued operations of \$19,316,000 for the three months ended March 31, 2006. The net income from discontinued operations includes gains generated on the sales of three properties sold during the first quarter of 2006, the properties' operating results through their respective disposition dates, income tax expense and the minority interest share of income. The Company had no discontinued operations during the three months ended March 31, 2007.

The net income from discontinued operations is summarized below.

Condensed Consolidated Statements of Operations	Three Months Ended March 31, 2007
Rental revenue	\$ 381
Total expenses	446
Loss from discontinued operations before gain on sale and share of minority interest	(65)
Gain on sale of discontinued operations	22,349
Minority interest from discontinued operations	(2,968)
Income from discontinued operations	<u>\$ 19,316</u>

LIQUIDITY AND CAPITAL RESOURCES

During first three months of 2007, the Company derived cash primarily from the collection of rents and proceeds from a short-term bank loan. Major uses of cash included the acquisition of an industrial property, payments for capital improvements to real estate assets, primarily for tenant improvements, payment of operational expenses and scheduled principal payments on borrowings.

The Company reported a net loss of \$1,137,000 for the three months ended March 31, 2007 compared to net income of \$17,226,000 for the three months ended March 31, 2006. These results include the following non-cash items:

	Three Months Ended	
	March 31,	
	2007	2006
Non-Cash Charges:		
Depreciation and amortization	\$ 2,976	\$ 2,536
Minority interest	-	2,647
Deferred rental expense	-	11
Stock-based compensation expense	8	8
Non-Cash Items:		
Income tax benefit	(692)	-
Amortization of loan premiums	(108)	(109)
Deferred rental income	(300)	-
Minority interest	(174)	-

Net cash provided by operating activities amounted to \$1,705,000 for the three months ended March 31, 2007. The net cash provided by operating activities consisted of \$573,000 generated by property operations and \$1,132,000 attributable to a net decrease in operating assets and liabilities. The net decrease in operating assets and liabilities was in large part due to lender distributions of funds held in escrow for the payment of capital improvements and property taxes. Net cash of \$344,000 was used in operating activities for the three months ended March 31, 2006. Cash was used in operating activities for the quarter ended March 31, 2006 primarily to fund operations and reduce accounts payable.

Net cash used in investing activities amounted to \$2,167,000 for the three months ended March 31, 2007. Cash of \$748,000 was used to acquire a 22,000 square foot industrial property and \$1,419,000 was used for capital expenditures, primarily tenant improvements. Net cash provided by investing activities for three months ended March 31, 2006 amounted to \$32,667,000. This amount was primarily attributable proceeds received from the sales of Sorrento II, Mira Mesa and Countryside during the period. Funds were used for capital expenditures, primarily for tenant improvements.

Net cash provided by financing activities amounted to \$113,000 for the three months ended March 31, 2007. Proceeds of \$750,000 were obtained from a short-term bank loan. The loan provided the Company with a source of funding for the acquisition of the industrial property mentioned above. Scheduled principal payments for the quarter ended March 31, 2007 amounted to \$450,000. Net cash used by financing activities amounted to \$31,408,000 for the three months ended March 31, 2006. In the first quarter of 2006, borrowings of \$26,165,000 were paid in connection with the sales of Sorrento II, Mira Mesa and Countryside. Scheduled principal payments for the quarter March 31, 2006 amounted to \$398,000. In January 2006, Company paid the remaining balance due on its notes payable related to the Teachout litigation matter.

The Company expects to meet its short-term liquidity requirements for normal property operating expenses and general and administrative expenses from cash generated by operations. In addition, the Company expects to incur capital costs related to leasing space and making improvements to properties provided the estimated leasing of space is completed. The Company anticipates meeting these obligations with cash currently held, the use of funds held in escrow by lenders, and proceeds from sales and refinancing activities. Except for scheduled monthly principal payments, the Company currently has no mortgage debt due to mature in 2007.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table aggregates the Company's contractual obligations as of March 31, 2007 (dollars in thousands):

	Payment Due By Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (1)	\$ 153,876	\$ 2,293	\$ 19,885	\$ 56,210	\$ 75,488
Interest costs on long term debt (1)	55,786	7,936	20,508	14,415	12,927
Capital expenditures (2)	990	990	-	-	-
Consulting	22	13	9	-	-
Total	\$ 210,674	\$ 11,232	\$ 40,402	\$ 70,625	\$ 88,415

(1) See Note 5 - Notes Payable – of the Consolidated Financial Statements.

(2) Represents estimated cost of commitments for tenant improvements and lease commissions related to the leasing of space to new or renewing tenants.

INFLATION

Substantially all of the leases at the industrial and shopping center properties provide for pass-through to tenants of certain operating costs, including real estate taxes, common area maintenance expenses, and insurance. Leases at the office properties typically provide for rent adjustment and pass-through of increases in operating expenses during the term of the lease. All of these provisions may permit the Company to increase rental rates or other charges to tenants in response to rising prices and therefore, serve to reduce the Company's exposure to the adverse effects of inflation.

FORWARD-LOOKING STATEMENTS

This Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. These forward-looking statements are based on management's beliefs and expectations, which may not be correct. Important factors that could cause actual results to differ materially from the expectations reflected in these forward-looking statements include the following: the Company's level of indebtedness and ability to refinance its debt; the fact that the Company's predecessors have had a history of losses in the past; unforeseen liabilities which could arise as a result of the prior operations of companies acquired in the 2001 consolidation transaction; risks inherent in the Company's acquisition and development of properties in the future, including risks associated with the Company's strategy of investing in under-valued assets; general economic, business and market conditions, including the impact of the current economic downturn; changes in federal and local laws, and regulations; increased competitive pressures; and other factors, including the factors set forth below, as well as factors set forth elsewhere in this Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

INTEREST RATES

One of the Company's primary market risk exposure is to changes in interest rates on its borrowings.

It is the Company's policy to manage its exposure to fluctuations in market interest rates for its borrowings through the use of fixed rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. In order to maximize financial flexibility when selling properties and minimize potential prepayment penalties on fixed rate loans, the Company has also entered into variable rate debt arrangements.

At March 31, 2007, the Company's total indebtedness included fixed-rate debt of approximately \$150,941,000 and floating-rate indebtedness of approximately \$2,935,000. The Company continually reviews the portfolio's interest rate exposure in an effort to minimize the risk of interest rate fluctuations. The Company does not have any other material market-sensitive financial instruments.

A change of 1.00% in the index rate to which the Company's variable rate debt is tied would change the annual interest incurred by the Company by approximately \$29,000, or \$.02 per share, based upon the balances outstanding on variable rate instruments at March 31, 2007.

ITEM 4. CONTROLS AND PROCEDURES

Management, including the Company's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the quarter covered by this report. Based on, and as of the date of, that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

There were no changes made in the Company's internal controls over financial reporting during the first quarter of 2007 that materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Certain claims and lawsuits have arisen against the Company in its normal course of business. The Company believes that such claims and lawsuits will not have a material adverse effect on the Company's financial position, cash flow or results of operations.

ITEM 1A. RISK FACTORS

There have been no material changes to the Company's Risk Factors as previously disclosed in the Company's latest annual report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Company Purchases of Equity Securities

<u>Period</u>	<u>(1) Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
January 1-31, 2007	-	\$ -	-	-
February 1-28, 2007	5,500	26.98	-	-
March 1-31, 2007	-	-	-	-
Total	<u>5,500</u>	<u>\$ 26.98</u>	<u>-</u>	<u>-</u>

(1) Represents shares purchased in an open market transaction.

Company Sales of Equity Securities

In connection with the exercise of stock options, the Company issued 3,125 shares of Common Stock to William J. Carden, its President and Chief Executive Officer, during the quarter ended March 31, 2007. The issuance was pursuant to the Company's Omnibus Stock Option Incentive Plan. Proceeds of \$84,625 were received from the issuance. The issuance of Common Stock was exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(2) and Rule 506 of Regulation D promulgated thereunder.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

The Exhibit Index attached hereto is hereby incorporated by reference this item.

(b) Reports on Form 8-K:

On February 28, 2007, a report on Form 8-K was filed with respect to Item 8.01.

On March 12, 2007, a report on Form 8-K was filed with respect to Item 5.02.

On March 15, 2007, a report on Form 8-K was filed with respect to Item 2.02.

SIGNATURES

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

AMERICAN SPECTRUM REALTY, INC.

Date: May 10, 2007

/s/ William J. Carden

By: _____
William J. Carden
Chairman of the Board, President and,
Chief Executive Officer
(Principal Executive Officer)

Date: May 10, 2007

/s/ G. Anthony Eppolito

By: _____
G. Anthony Eppolito
Vice President, Chief Financial Officer,
(Principal Financial Officer and Accounting Officer),
Treasurer and Secretary

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit Title</u>
31	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William J. Carden, certify that:

- 1) I have reviewed this quarterly report on Form 10-K of American Spectrum Realty, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2007

By: _____
William J. Carden
Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, G. Anthony Eppolito, certify that:

- 6) I have reviewed this quarterly report on Form 10-K of American Spectrum Realty, Inc.;
- 7) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 8) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 9) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
- 10) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2007

By: _____
G. Anthony Eppolito
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of American Spectrum Realty, Inc.(the “Company”) on Form 10-Q for the period ending March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William J. Carden, President and Chief Executive Officer of the Company, certify, pursuant to and for purposes of 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of the dates indicated and results of operations of the Company for the period indicated.

Dated: May 10, 2007

William J. Carden
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of American Spectrum Realty, Inc.(the “Company”) on Form 10-Q for the period ending March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Anthony Eppolito, Chief Financial Officer of the Company, certify, pursuant to and for purposes of 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of the dates indicated and results of operations of the Company for the period indicated.

Dated: May 10, 2007

G. Anthony Eppolito
Vice President and Chief Financial Officer