ONE LIBERTY PROPERTIES INC
Form 10-K
March 12, 2010
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT
PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

x Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of l934

For the fiscal year ended December 31, 2009
Or
¨ Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Commission File Number 001-09279

ONE LIBERTY PROPERTIES, INC.
(Exact name of registrant as specified in its charter)

MARYLAND	13-3147497
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

60 Cutter Mill Road, Great Neck, New York 11021
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (516) 466-3100

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

Title of each class	Name of exchange on which registered
Common Stock, par value $1.00 per share	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 x

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

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “small reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a small reporting company)	Small reporting company o

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

As of June 30, 2009 (the last business day of the registrant’s most recently completed second quarter), the aggregate market value of all common equity held by non-affiliates of the registrant, computed by reference to the price at which common equity was last sold on said date, was approximately $46.2 million.

As of March 9, 2010, the registrant had 11,380,887 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the 2010 annual meeting of stockholders of One Liberty Properties, Inc., to be filed pursuant to Regulation 14A not later than April 30, 2010, are incorporated by reference into Part III of this Annual Report on Form 10-K.

PART I

Item 1. Business

General

We are a self-administered and self-managed real estate investment trust, also known as a REIT. We were incorporated under the laws of the State of Maryland on December 20, 1982. We acquire, own and manage a geographically diversified portfolio of retail (including furniture and office supply stores), industrial, office, flex, health and fitness and other properties, a substantial portion of which are under long-term leases. Substantially all of our leases are “net leases” and ground leases under which the tenant is typically responsible for real estate taxes, insurance and ordinary maintenance and repairs. As of December 31, 2009 (giving effect to our acquisition of a community shopping center on February 24, 2010), we owned 72 properties, one of which is vacant, and one of which is a 50% tenancy in common interest, and participated in five joint ventures that own five properties. Our properties and the properties owned by our joint ventures are located in 27 states and have an aggregate of approximately 5.4 million square feet of space (including approximately 106,000 square feet of space at the property in which we own a tenancy in common interest and approximately 1.5 million square feet of space at properties owned by the joint ventures in which we participate).

Our 2010 contractual rental income will be approximately $39.8 million. Our 2010 contractual rental income includes (i) rental income that is payable to us in 2010 under leases existing at December 31, 2009, (ii) rental income that is payable to us in 2010 on our tenancy in common interest, and (iii) rental income of approximately $1.6 million, representing approximately ten months of rental payments, that is payable to us in 2010 under leases at a community shopping center we acquired on February 24, 2010. In 2010, we expect that our share of the rental income payable to our five joint ventures will be approximately $1.3 million. On December 31, 2009, the occupancy rate of properties owned by us was 98.6% based on square footage (including the property in which we own a tenancy in common interest) and the occupancy rate of properties owned by our joint ventures was 100% based on square footage. The occupancy rate of the community shopping center we acquired on February 24, 2010 for $23.5 million was 99% as of the acquisition date. The weighted average remaining term of the leases in our portfolio, including our tenancy in common interest and the community shopping center we acquired on February 24, 2010, is 8.4 years and 10.5 years for the leases at properties owned by our joint ventures.

As a result of the national economic recession, consumer confidence and retail spending declined, which negatively impacted certain of our retail tenants. For example, Circuit City Stores, Inc., which previously leased five of our properties, filed for protection under the Federal bankruptcy laws in 2008 and thereafter rejected our leases and closed all their stores. Other retail tenants have requested rent relief, lease amendments, and other financial concessions from us due to the deterioration of their financial condition in the present economic environment. We agreed to some of these requests. Our rental income from our retail tenants will account for 59% of our 2010 contractual rental income. One retail tenant in the office supply business and one retail tenant in the furniture business represent an aggregate of 11.1% and 10.8%, respectively, of our 2010 contractual rental income. No other single tenant accounts for more than 5.9% of our 2010 contractual rental income. To the extent that our retail tenants are adversely affected by the recession and reduced consumer spending, our portfolio may be adversely affected.

Acquisition Strategies

We seek to acquire properties throughout the United States that have locations, demographics and other investment attributes that we believe to be attractive. We believe that long-term leases provide a predictable income stream over the term of the lease, making fluctuations in market rental rates and in real estate values less significant to achieving our overall investment objectives. Our goal is to acquire properties that are subject to long-term net or ground leases that include periodic contractual rental increases. Periodic contractual rental increases provide reliable increases in future rent payments, while rent increases based on the consumer price index provide protection against inflation. Historically, long-term leases have made it easier for us to obtain longer-term, fixed-rate mortgage financing with principal amortization, thereby moderating the interest rate risk associated with financing or refinancing our property portfolio by reducing the outstanding principal balance over time. Although we regard long-term leases as an important element of our acquisition strategy, we may acquire a property that is subject to a short-term lease when we believe the property represents a good opportunity for recurring income and residual value. Although we regard the acquisition of properties subject to net and ground leases as an important aspect of our investment strategy, we have expanded our focus and are also seeking to acquire community shopping centers anchored by national or regional tenants. Typically, we would pay substantially all operating expenses at these community shopping centers, a significant portion of which will be reimbursed by the tenants pursuant to their leases.

Generally, we hold the properties we acquire for an extended period of time. Our investment criteria are intended to identify properties from which increased asset value and overall return can be realized from an extended period of ownership. Although our investment criteria favor an extended period of ownership, we will dispose of a property if we regard the disposition of the property as an opportunity to realize the overall value of the property sooner or to avoid future risks by achieving a determinable return from the property.

Historically, we identify properties through the network of contacts of our senior management and our affiliates, which includes real estate brokers, private equity firms, banks and law firms. In addition, we attend industry conferences and engage in direct solicitations.

Although we investigated, analyzed and bid on several properties in 2009, due to a variety of factors, including unfavorable prices and a lack of available traditional mortgage financing, we did not acquire any properties in 2009. On February 24, 2010, we acquired, for $23.5 million, a community shopping center with approximately 194,000 square feet of space, of which 67% are subject to ground leases.

There is no limit on the number of properties in which we may invest, the amount or percentage of our assets that may be invested in any specific property or property type, or on the concentration of investments in any geographic area in the United States. We do not intend to acquire properties located outside of the United States. We will continue to form entities to acquire interests in real properties, either alone or with other investors, and we may acquire interests in joint ventures or other entities that own real property.

It is our policy, and the policy of our affiliated entities, that any investment opportunity presented to us or to any of our affiliated entities that involves primarily the acquisition of a net leased property, a ground lease or a community shopping center, will first be offered to us and may not be pursued by any of our affiliated entities unless we decline the opportunity.

Investment Evaluation

In evaluating potential investments, we consider, among other criteria, the following:

- the ability of a tenant, if a net leased property, or major tenants, if a shopping center, to meet operational needs and lease obligations recognizing the current economic climate;

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- the current and projected cash flow of the property;
- the estimated return on equity to us;
- an evaluation of the property and improvements, given its location and use;
- local demographics (population and rental trends);
- the terms of tenant leases, including the relationship between current rents and market rents;
- the projected residual value of the property;
- potential for income and capital appreciation;
- occupancy of and demand for similar properties in the market area; and
- alternate use for the property at lease termination.

Our Business Objective

Our business objective is to maintain and increase the cash available for distribution to our stockholders by:

- monitoring and maintaining our portfolio, including tenant negotiations and lease amendments with tenants having financial difficulty;
- obtaining mortgage indebtedness on favorable terms and maintaining access to capital to finance property acquisitions;
- identifying opportunistic property acquisitions consistent with our portfolio and our objectives; and
- managing assets effectively, including lease extensions and opportunistic property sales.

Typical Property Attributes

The properties in our portfolio and owned by our joint ventures typically have the following attributes:

- Net or ground leases. Substantially all of the leases are net and ground leases under which the tenant is typically responsible for real estate taxes, insurance and ordinary maintenance and repairs. We believe that investments in net and ground leased properties offer more predictable returns than investments in properties that are not net or ground leased;

- Long-term leases. Substantially all of our leases are long-term leases. Excluding leases relating to properties owned by our joint ventures, leases representing approximately 70% of our 2010 contractual rental income expire after 2015, and leases representing approximately 42% of our 2010 contractual rental income expire after 2019; and

- Scheduled rent increases. Leases representing approximately 95% of our 2010 contractual rental income provide for either scheduled rent increases or periodic contractual rent increases based on the consumer price index. None of the leases on properties owned by our joint ventures provide for scheduled rent increases.

Our Tenants

The following table sets forth information about the diversification of our tenants by industry sector as of December 31, 2009 (giving effect to a community shopping center we acquired on February 24, 2010):

Type of Property	Number of Tenants	Number of Properties	2010 Contractual Rental Income (1)	Percentage of 2010 Contractual Rental Income
Retail – various (2)	36	27	$ 10,994,550	27.6%
Retail – furniture (3)	5	15	7,325,227	18.4
Industrial (4)	7	8	5,362,762	13.5
Retail – office supply (5)	12	12	5,188,383	13.0
Office (6)	3	3	4,490,385	11.3
Flex	3	2	2,596,846	6.5
Health & fitness	3	3	1,783,128	4.5
Movie theater (7)	1	1	1,384,267	3.5
Residential	1	1	700,000	1.7
	71	72	$ 39,825,548	100.0%

(1) Our 2010 contractual rental income includes (a) rental income that is payable to us in 2010 under leases existing at December 31, 2009, (b) rental income that is payable to us in 2010 on our tenancy in common interest, and (c) rental income that is payable to us in 2010 under leases at a community shopping center we acquired on February 24, 2010.

(2) Fourteen of the retail properties are net leased to single tenants. Five properties are net leased to a total of 21 separate tenants pursuant to separate leases and eight properties are net leased to one tenant pursuant to a master lease.

(3) Eleven properties are net leased to Haverty Furniture Companies, Inc. pursuant to a master lease covering all locations. Four of the properties are net leased to single tenants.

(4) Includes one vacant property.

(5) Includes ten properties which are net leased to one tenant pursuant to ten separate leases. Eight of these leases contain cross-default provisions.

(6) Includes a property in which we own a 50% tenancy in common interest.

(7) We are the ground lessee of this property under a long-term lease and net lease the movie theater to an operator.

Most of our retail tenants operate on a national basis and include, among others, Barnes & Noble, Best Buy, CarMax, CVS, Kohl’s, Marshalls, Office Depot, Office Max, Party City, Petco, The Sports Authority, and Walgreens, and some of our tenants operate on a regional basis, including Giant Food Stores and Haverty Furniture Companies.

Our Leases

Substantially all of our leases are net or ground leases (including the leases entered into by our joint ventures) under which the tenant, in addition to its rental obligation, typically is responsible for expenses attributable to the operation of the property, such as real estate taxes and assessments, water and sewer rents and other charges. The tenant is also generally responsible for maintaining the property and for restoration following a casualty or partial condemnation. The tenant is typically obligated to indemnify us for claims arising from the property and is responsible for maintaining insurance coverage for the property it leases. Under some net leases, we are responsible for structural repairs, including foundation and slab, roof repair or replacement and restoration following a casualty event, and at several properties we are responsible for certain expenses related to the operation and maintenance of the property.

Our typical lease provides for contractual rent increases periodically throughout the term of the lease. Some of our leases provide for rent increases pursuant to a formula based on the consumer price index and some of our leases provide for minimum rents supplemented by additional payments based on sales derived from the property subject to the lease. Such additional payments were not a material part of our 2009 rental revenues and are not expected to be a material part of our 2010 contractual rental income. Additionally, all of the leases for the community shopping center we acquired on February 24, 2010 provide for the reimbursement to us by the tenants of a significant portion of the property's operating expenses.

Our policy has been to acquire properties that are subject to existing long-term leases or to enter into long-term leases with our tenants. Our leases generally provide the tenant with one or more renewal options.

The following table sets forth scheduled lease expirations of leases for our properties (excluding joint venture properties) as of December 31, 2009 and includes the lease expiration of leases for the community shopping center we acquired on February 24, 2010:

Year of Lease Expiration (1)	Number of Expiring Leases	Approximate Square Feet Subject to Expiring Leases	2010 Contractual Rental Income Under Expiring Leases	% of 2010 Contractual Rental Income Represented by Expiring Leases
2010	2	16,000	$ 170,377	.4%
2011	8	246,744	2,658,542	6.7
2012	3	20,650	508,362	1.3
2013	5	120,790	1,356,441	3.4
2014	11	652,287	5,638,747	14.1
2015	4	127,240	1,423,207	3.6
2016	4	163,849	1,258,619	3.2
2017	4(2)	209,605	3,125,998	7.8
2018	12	303,172	6,004,051	15.1
2019 and Thereafter	18	1,906,225	17,681,204	44.4
	71	3,766,562	$ 39,825,548	100.0%

(1) Lease expirations assume tenants do not exercise existing renewal options.

(2) Includes a property in which we have a tenancy in common interest.

Financing, Re-Renting and Disposition of Our Properties

Under our governing documents, there is no limit on the level of debt that we may incur. Our credit facility, which matures on March 31, 2010, is provided by VNB New York Corp., Bank Leumi, USA, Manufacturers and Traders Trust Company and Israel Discount Bank of New York and is a full recourse obligation. We have negotiated a modification and extension of our credit facility with our lending syndicate and have agreed to all of the material terms (although there can be no assurance that it will be consummated). The proposed modification and extension agreement would reduce permitted borrowings from $62.5 million to $40 million, expire on March 31, 2012, and increase the interest rate from the lower of LIBOR plus 2.15% or the bank's prime rate to 90 day LIBOR plus 3% with a minimum interest rate of 6% per annum. Among other limitations in our credit facility is our ability to incur additional indebtedness. Our current credit facility limits total indebtedness that we may incur to an amount equal to 70% of the value (as defined) of our properties and the negotiated modification and extension agreement would limit total indebtedness that we may incur to an amount equal to 65% of the value (as defined) of our properties. We borrow funds on a secured and unsecured basis and intend to continue to do so in the future.

We also mortgage specific properties on a non-recourse basis (subject to standard carve-outs) to enhance the return on our investment in a specific property. The proceeds of mortgage loans may be used for property acquisitions, investments in joint ventures or other entities that own real property, to reduce bank debt and for working capital purposes. The proceeds of our credit facility may be used to payoff existing mortgages, fund the acquisition of additional properties, or to invest in joint ventures. Net proceeds received from refinancing of properties are required to be used to repay amounts outstanding under our credit facility if proceeds from the credit facility were used to purchase or refinance the property.

With respect to properties we acquire on a free and clear basis, we usually seek to obtain long-term fixed-rate mortgage financing, when available at acceptable terms, shortly after the acquisition of such property to avoid the risk of movement of interest rates and fluctuating supply and demand in the mortgage markets.

Due to lending freezes, the imposition of more stringent lending standards and dislocations in the mortgage securitization markets, we have been limited in our ability to obtain mortgage financing on acceptable terms. However, in March 2009 we refinanced one mortgage and we secured floating rate mortgages for two properties, one in November 2008 and one in March 2009. In order to eliminate our interest rate risk under these floating rate mortgages, we entered into interest rate swap agreements. Under the interest rate swap agreements, we make fixed rate monthly payments to our counterparty, thereby satisfying all of our interest payments. In October 2009, in connection with the sale of the property securing the mortgage, we paid off the mortgage obtained in November 2008 and the related interest rate swap agreement was terminated.

We also will acquire a property that is subject to (and will assume) a fixed-rate mortgage. Substantially all of our mortgages provide for amortization of part of the principal balance during the term, thereby reducing the refinancing risk at maturity. Some of our properties may be financed on a cross-defaulted or cross-collateralized basis, and we may collateralize a single financing with more than one property.

After termination or expiration of any lease relating to any of our properties, we will seek to re-rent or sell such property in a manner that will maximize the return to us, considering, among other factors, the income potential and market value of such property. We acquire properties for long-term investment for income purposes and do not typically engage in the turnover of investments. We will consider the sale of a property if a sale appears advantageous in view of our investment objectives. We may take back a purchase money mortgage as partial payment in lieu of cash in connection with any sale and may consider local custom and prevailing market conditions in negotiating the terms of repayment. If there is a substantial tax gain, we may seek to enter into a tax deferred transaction and reinvest the proceeds in another property. It is our policy to use any cash realized from the sale of properties, net of any distributions to stockholders, to pay down amounts due under our credit facility, if any, and for the acquisition of additional properties.

Our Joint Ventures

As of December 31, 2009, we are a joint venture partner in five joint ventures that own an aggregate of five properties, and have an aggregate of approximately 1.5 million rentable square feet of space. Three of the properties are retail properties and two are industrial properties. We own a 50% equity interest in four of the joint ventures and a 36% equity interest in the fifth joint venture. We are designated as "managing member" or "manager" under the operating agreements of three of these joint ventures; however, we do not exercise substantial operating control over these entities. At December 31, 2009, our investment in unconsolidated joint ventures was approximately $6 million.

Based on existing leases, we anticipate that our share of rental income payable to our joint ventures in 2010 will be approximately $1.3 million. The leases for two properties (each of which is owned by one of our joint ventures), which are expected to contribute 88.5% of the aggregate projected rental income payable to all of our joint ventures in 2010, will expire in 2021 and 2022.

Competition

We face competition for the acquisition of properties from a variety of investors, including domestic and foreign corporations and real estate companies, financial institutions, insurance companies, pension funds, investment funds, other REITs and individuals, some of which have significant advantages over us, including a larger, more diverse group of properties and greater financial and other resources than we have.

Our Structure

Five employees, Patrick J. Callan, Jr., our president and chief executive officer, Lawrence G. Ricketts, Jr., our executive vice president and chief operating officer, and three others, devote all of their business time to our company. Our other executive, administrative, legal, accounting and clerical personnel share their services on a part-time basis with us and other affiliated entities that share our executive offices.

We entered into a compensation and services agreement with Majestic Property Management Corp. effective as of January 1, 2007. Majestic Property Management Corp. is wholly-owned by our chairman of the board and it provides compensation to certain of our executive officers. Pursuant to the compensation and services agreement, we pay an annual fee to Majestic Property Management Corp. and Majestic Property Management Corp. assumes our obligations under a shared services agreement, and provides us with the services of all affiliated executive, administrative, legal, accounting and clerical personnel that we use on a part time basis, as well as certain property management services, property acquisition, sales and leasing and mortgage brokerage services. The annual fees we pay to Majestic Property Management Corp. are negotiated each year by us and Majestic Property Management Corp., and are approved by our audit committee and independent directors.

In 2009, we incurred a fee of $2,025,000 to Majestic Property Management Corp. under the compensation and services agreement. Pursuant to the compensation and services agreement, we paid $2,013,000 of the fee and the remainder of the fee, $12,000, was offset by the $12,000 paid to Majestic Property Management Corp. by one of our joint ventures. In addition, we made a payment to Majestic Property Management Corp. of $175,000 for our share of all direct office expenses, including, among other expenses, rent, telephone, postage, computer services and internet usage. We also paid our chairman a fee of $250,000 in 2009 in accordance with the compensation and services agreement.

We believe that the compensation and services agreement allows us to benefit from access to, and from the services of, a group of senior executives with significant knowledge and experience in the real estate industry and our company and its activities. If not for the compensation and services agreement, we believe that a company of our size would not have access to the skills and expertise of these executives at the cost that we have incurred and will incur in the future. For a description of the background of our management, please see the information under the heading "Executive Officers" in Part I of this Annual Report.

Available Information

Our Internet address is www.onelibertyproperties.com. On the Investor Information page of our web site, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (the "SEC"): our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings on our Investor Information Web page, which also includes Forms 3, 4 and 5 filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended, are available to be viewed free of charge.

On the Corporate Governance page of our web site, we post the following charters and guidelines: Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter, Corporate Governance Guidelines and Code of Business Conduct and Ethics, as amended and restated. All such documents on our Corporate Governance Web page are available to be viewed free of charge.

Information contained on our web site is not part of, and is not incorporated by reference into, this Annual Report on Form 10-K or our other filings with the SEC. A copy of this Annual Report on Form 10-K and those items disclosed on our Investor Information Web page and our Corporate Governance Web page are available without charge upon written request to: One Liberty Properties, Inc., 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021, Attention: Secretary.

Forward-Looking Statements

This Annual Report on Form 10-K, together with other statements and information publicly disseminated by us, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provision for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "could," "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions or variations thereof. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performance or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to:

- the financial condition of our tenants and the performance of their lease obligations;
- general economic and business conditions, including those currently affecting our nation's economy and real estate markets;

- the availability of and costs associated with sources of liquidity;
- accessibility of debt and equity capital markets;
- general and local real estate conditions, including any changes in the value of our real estate;
- breach of credit facility covenants;
- more competition for leasing of vacant space due to current economic conditions;
- changes in governmental laws and regulations relating to real estate and related investments;
- the level and volatility of interest rates;
- competition in our industry; and
- the other risks described under "Risks Related to Our Company" and "Risks Related to the REIT Industry."

Any or all of our forward-looking statements in this report, in our 2010 Annual Report to Stockholders and in any other public statements we make may turn out to be incorrect. Actual results may differ from our forward looking statements because of inaccurate assumptions we might make or because of the occurrence of known or unknown risks and uncertainties. Many factors mentioned in the discussion below will be important in determining future results. Consequently, no forward-looking statement can be guaranteed and you are cautioned not to place undue reliance on these forward-looking statements. Actual future results may vary materially.

Except as may be required under the United States federal securities laws, we undertake no obligation to publicly update our forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make in our reports that are filed with or furnished to the SEC.

Item 1A. Risk Factors.

Set forth below is a detailed discussion of certain risks affecting our business. The categorization of risks set forth below is meant to help you better understand the risks facing our business and is not intended to limit your consideration of the possible effects of these risks to the listed categories. Any adverse effects arising from the realization of any of the risks discussed, including our financial condition and results of operation, may, and likely will, adversely affect many aspects of our business.

In addition to the other information contained or incorporated by reference in this Form 10-K, readers should carefully consider the following risk factors:

Risks Related to Our Business

If our tenants default, if we are unable to re-rent properties upon the expiration of our leases, or if a significant number of tenants are granted rent relief, our revenues will be reduced and we would incur additional costs.

Substantially all of our revenues are derived from rental income paid by tenants at our properties. The current economic crisis and recession has effected a number of our tenants. A deterioration of economic conditions could result in tenants defaulting on their obligations, fewer tenants renewing their leases upon the expiration of their terms or tenants seeking rent relief or other accommodations or renegotiation of their leases. As a result of any of these events, our revenues would decline. At the same time, we would remain responsible for the payment of our mortgage obligations and would become responsible for the operating expenses related to our properties, including, among other things, real estate taxes, maintenance and insurance. In addition, we would incur expenses for enforcing our rights as landlord. Even if we find replacement tenants or renegotiate leases with current tenants, the terms of the new or renegotiated leases, including the cost of required renovations or concessions to tenants, or the expense of the reconfiguration of a single tenancy property for use by multiple tenants, may be less favorable than current lease terms and could reduce the amount of cash available to meet expenses.

Approximately 60% of our rental revenue is derived from tenants operating in the retail industry, which has been particularly weakened in the current recession, and the inability of those tenants to pay rent would significantly reduce our revenues.

Approximately 60% of our rental revenues (excluding rental revenues from our joint ventures) for the year ended December 31, 2009 was derived from retail tenants and approximately 59% of our 2010 contractual rental income is expected to be derived from retail tenants, including 18.4% and 13%, from tenants engaged in retail furniture and office supply operations, respectively. The current economic crisis and recession has caused a significant decline in consumer spending on retail goods.

If the recession continues, it could cause our retail tenants to fail to meet their lease obligations, including rental payment delinquencies, which would have an adverse effect on our results of operations, liquidity and financial condition, including making it more difficult for us to satisfy our operating and debt service requirements, make capital expenditures and make distributions to our stockholders.

A significant portion of our 2009 revenues and our 2010 contractual rental income is derived from five tenants. The default, financial distress or failure of any of these tenants could significantly reduce our revenues.

Haverty Furniture Companies, Inc., Office Depot, Inc., Ferguson Enterprises, Inc., DSM Nutritional Products, Inc., and L-3 Communications Corp., accounted for approximately 11.9%, 10.9%, 5.6%, 5.1% and 4.3%, respectively, of our rental revenues (excluding rental revenues from our joint ventures) for the year ended December 31, 2009, and account for 10.8%, 11.1%, 5.9%, 5.1% and 4.6%, respectively, of our 2010 contractual rental income. The default, financial distress or bankruptcy of any of these tenants would cause interruptions in the receipt of, or the loss of, a significant amount of rental revenues and would require us to pay operating expenses currently paid by the tenant. This could also result in the vacancy of the property or properties occupied by the defaulting tenant, which would significantly reduce our rental revenues and net income until the re-rental of the property or properties, and could decrease the ultimate sale value of the property.

The current recession and its consequences present a challenge to our present acquisition strategy.

Our present acquisition strategy relies, to a large extent, on the acquisition of additional properties that are located in market or industry sectors that we identify, from time to time, as offering superior risk-adjusted returns. Although we acquired a community shopping center on February 24, 2010, we did not acquire any properties in 2009 due to, among other issues, the economic recession and the difficulty in obtaining satisfactory mortgage financing, even though we investigated, analyzed and bid on several properties. If we continue to be hampered in our ability to acquire additional properties in the near term, our growth strategy will be significantly curtailed.

In order to fund acquisitions, our business model generally prescribes that we initially use funds borrowed under our credit facility and then seek mortgage indebtedness for the purchased properties on a non-recourse basis, repaying the amount borrowed under the credit facility. We have negotiated a modification and extension of our credit facility, which will reduce permitted borrowings from $62.5 million to $40 million. Institutions have significantly curtailed their lending activities and it has become increasingly challenging to identify and secure mortgage indebtedness. Additionally, although we have negotiated a modification and extension of our credit facility with our current lenders, our current credit facility expires on March 31, 2010, and, although we are confident that the modification and extension will be documented substantially in accordance with the agreed upon terms, there is no guaranty that the modification and extension agreement will be concluded. If the modification and extension agreement is not concluded and mortgage financing does not become more available property acquisitions may be limited.

Declines in the value of our properties could result in additional impairment charges.

The recent economic downturn has caused a decline in real estate values generally throughout the country. If we are presented with indications of an impairment in the value of a particular property or group of properties, we will be required to evaluate any such property or properties. If we determine that the undiscounted cash flows have declined to a level which results in the fair value of any of our properties having a value which is below the net book value, we will be required to recognize an impairment charge for the difference between the fair value and the book value during the quarter in which we make such determination. In addition, we may incur losses from time to time if we dispose of properties for sales prices that are less than our book value.

If we are unable to refinance our mortgage loans at maturity, we may be forced to sell properties at disadvantageous terms, which would result in the loss of revenues and in a decline in the value of our portfolio.

As of December 31, 2009, we had outstanding approximately $190.5 million in mortgage indebtedness, all of which is non-recourse (subject to standard carve-outs). In connection with the acquisition of a community shopping center on February 24, 2010, we assumed a $17.7 million mortgage, maturing in 2014, which is non-recourse, subject to standard carve-outs. As of December 31, 2009 (not including the mortgage we assumed in connection with the community shopping center), our ratio of mortgage debt to total assets was approximately 46.6%. In addition, as of December 31, 2009, our joint ventures had approximately $17.9 million in total mortgage indebtedness (all of which is non-recourse subject to standard carve-outs). The risks associated with our mortgage debt and the mortgage debt of our joint ventures include the risk that cash flow from properties securing the mortgage indebtedness and our available cash and cash equivalents and short-term investments will be insufficient to meet required payments of principal and interest.

Only a small portion of the principal of our mortgage indebtedness will be repaid prior to maturity. We do not plan to retain sufficient cash to repay such indebtedness at maturity. Accordingly, in order to meet these obligations if they cannot be refinanced at maturity, we will have to use funds available under our credit facility, if any, and our available cash and cash equivalents and short-term investments to pay our mortgage debt or seek to raise funds through the financing of unencumbered properties, sale of properties or the issuance of additional equity. Between January 2010 and December 31, 2014, approximately $64.9 million of our mortgage debt matures (excluding mortgage debt of our joint ventures). In January 2010 we paid off one mortgage with a balance of $2.4 million. A $4.5 million mortgage loan matured on March 1, 2010, which we have not paid off, on which we continue to pay debt service on a current basis, and with respect to which we have commenced discussions with representatives of the mortgagee. Approximately $9 million of our mortgage debt will mature in April 2010, $979,000 of our mortgage debt will mature in September 2010 and approximately $3 million of our mortgage debt will mature in 2011. In addition one mortgage loan with an outstanding balance of $1.7 million has been callable since October, 2009 on ninety days notice by the mortgagee. With respect to our joint ventures, approximately $13.4 million and $1.6 million of mortgage debt matures in 2015 and 2016, respectively. If we (or our joint ventures) are not successful in refinancing or extending existing mortgage indebtedness or financing unencumbered properties, selling properties on favorable terms or raising additional equity, our cash flow (or the cash flow of a joint venture) will not be sufficient to repay all maturing mortgage debt when payments become due, and we (or a joint venture) may be forced to dispose of properties on disadvantageous terms or convey properties secured by mortgages to the mortgagees, which would lower our revenues and the value of our portfolio.

Additionally, with the national economic recession and the reductions in real estate values, we may find that the value of a property could be less than the mortgage secured by such property. In such instance, we may seek to renegotiate the terms of the mortgage, or to the extent that our loan is non-recourse and it cannot be satisfactorily renegotiated, forfeit the property by conveying it to the mortgagee and writing off our investment.

If we are unable to extend our current credit facility or secure a new credit facility at maturity of our current facility on March 31, 2010 at favorable rates, our net income may decline or we may be forced to sell properties at disadvantageous terms, which would result in the loss of revenues and in a decline in the value of our portfolio.

As of December 31, 2009 and March 10, 2010, we had $27 million outstanding under our revolving credit facility. The facility is guaranteed by all of our subsidiaries which own unencumbered properties, and the shares of stock of all other subsidiaries are pledged as collateral. Our credit facility expires on March 31, 2010. We have negotiated a modification and extension of our credit facility with our lending syndicate and have come to agreement on all material terms. The proposed modification and extension would reduce our permitted borrowings from $62.5 million to $40 million, expire on March 31, 2012, and increase the interest rate from the lower of LIBOR plus 2.15% or the bank's prime rate to 90 day LIBOR plus 3% with a minimum interest rate of 6%. Although we are confident that the modification and extension will be documented in accordance with the agreed upon terms, there can be no assurance that it will be consummated. Between March 1, 2010 and April 30, 2010, approximately $13.5 million of our mortgage debt matures. If we are not successful in modifying or otherwise amending our current credit facility, securing a new credit facility, financing unencumbered properties, selling properties on favorable terms, or raising additional equity, our cash and short term investments may not be sufficient to repay all amounts outstanding under our credit facility when it matures on March 31, 2010 and all outstanding amounts due under our mortgages maturing in 2010, and we may be forced to dispose of properties on disadvantageous terms, which would lower our revenues and the value of our portfolio.

The United States' credit markets continue to experience significant price volatility and liquidity disruptions, which thus far has caused market prices of many stocks to plummet and terms for financings to be less attractive, and in many cases unavailable. Continued uncertainty in the credit markets could negatively impact our ability to refinance the amount outstanding under our revolving credit facility at favorable terms or at all, if the modification and extension of the credit agreement is not finalized.

If our borrowings increase, the risk of default on our repayment obligations and our debt service requirements will also increase.

Our governing documents do not contain any limitation on the amount of indebtedness we may incur. However, the terms of our existing credit facility with VNB New York Corp., Bank Leumi, USA, Manufacturers and Traders Trust Company and Israel Discount Bank of New York limit our ability to incur indebtedness, including limiting the total indebtedness that we may incur to an amount equal to 70% of the value (as defined in the credit agreement) of our properties. Similarly, the proposed modification and extension of our credit facility will limit our ability to incur indebtedness, including limiting the total indebtedness that we may incur to an amount equal to 65% of the value (as defined) of our properties. Increased leverage could result in increased risk of default on our payment obligations related to borrowings and in an increase in debt service requirements, which could reduce our net income and the amount of cash available to meet expenses and to make distributions to our stockholders.

If a significant number of our tenants default or fail to renew expiring leases, or we take impairment charges against our properties, a breach of our revolving credit facility could occur.

Our revolving credit facility includes, and the proposed modification and extension of our credit facility that we have negotiated will include, financial covenants that require us to maintain certain financial ratios and requirements. If our tenants default under their leases with us or fail to renew expiring leases, generally accepted accounting principles may require us to recognize impairment charges against our properties, and our financial position could be adversely affected causing us to be in breach of the financial covenants contained in our credit facility.

Failure to meet interest and other payment obligations under our revolving credit facility or a breach by us of the covenants to maintain the financial ratios would place us in default under our credit facility, and, if the banks called a default and required us to repay the full amount outstanding under the credit facility, we might be required to rapidly dispose of our properties, which could have an adverse impact on the amounts we receive on such disposition. If we are unable to dispose of our properties in a timely fashion to the satisfaction of the banks, the banks could foreclose on that portion of our collateral pledged to the banks, which could result in the disposition of our properties at below market values. The disposition of our properties at below our carrying value would adversely affect our net income, reduce our stockholders’ equity and adversely affect our ability to pay distributions to our stockholders.

Impairment charges against owned real estate may not be adequate to cover actual losses.

Impairment charges are based on an evaluation of known risks and economic factors. The determination of an appropriate level of impairment charges is an inherently difficult process and is based on numerous assumptions. The amount of impairment charges of real estate is susceptible to changes in economic, operating and other conditions that are largely beyond our control. Any impairment charges that we may take may not be adequate to cover actual losses and we may need to take additional impairment charges in the future. Actual losses and additional impairment charges in the future could materially affect our results of operations.

The tightening of the credit markets have made it difficult for us to secure financing, which may limit our ability to finance or refinance our real estate properties, reduce the number of properties we can acquire, and adversely affect your investment.

Due to the national economic recession and credit crisis and the resulting caution by lenders in evaluating and underwriting new transactions, there has been a significant tightening of the credit markets. The tightening of the credit markets make it difficult for us to secure mortgage debt, thereby limiting the mortgage debt available on real estate properties we wish to acquire, and even reducing the number of properties we can acquire. Even in the event that we are able to secure mortgage debt on, or otherwise finance our real estate properties, due to increased costs associated with securing financing and other factors beyond our control, we run the risk of being unable to refinance the entire outstanding loan balance or being subject to unfavorable terms (such as higher loan fees, interest rates and periodic payments) if we do refinance the loan balance. Either of these results could reduce any income from those properties and reduce cash available for distribution, which may adversely affect your investment.

Our net leases and our ground leases require us to pay property related expenses that are not the obligations of our tenants.

Under the terms of substantially all of our net leases, in addition to satisfying their rent obligations, our tenants are responsible for the payment of real estate taxes, insurance and ordinary maintenance and repairs. Similarly, pursuant to the terms of all of our leases at the community shopping center we acquired on February 24, 2010, our tenants are required to reimburse us for a significant portion of the property’s operating expenses. However, under the provisions of certain net and shopping center leases, we are required to pay some expenses, such as the costs of environmental liabilities, roof and structural repairs, insurance, certain non-structural repairs and maintenance. If our properties incur significant expenses that must be paid by us under the terms of our leases, our business, financial condition and results of operations will be adversely affected and the amount of cash available to meet expenses and to make distributions to holders of our common stock may be reduced.

Uninsured and underinsured losses may affect the revenues generated by, the value of, and the return from a property affected by a casualty or other claim.

Substantially all of our tenants obtain, for our benefit, comprehensive insurance covering our properties in amounts that are intended to be sufficient to provide for the replacement of the improvements at each property. However, the amount of insurance coverage maintained for any property may not be sufficient to pay the full replacement cost of the improvements at the property following a casualty event. In addition, the rent loss coverage under the policy may not extend for the full period of time that a tenant may be entitled to a rent abatement as a result of, or that may be required to complete restoration following, a casualty event. In addition, there are certain types of losses, such as those arising from earthquakes, floods, hurricanes and terrorist attacks, that may be uninsurable or that may not be economically insurable. Changes in zoning, building codes and ordinances, environmental considerations and other factors also may make it impossible or impracticable for us to use insurance proceeds to replace damaged or destroyed improvements at a property. If restoration is not or cannot be completed to the extent, or within the period of time, specified in certain of our leases, the tenant may have the right to terminate the lease. If any of these or similar events occur, it may reduce our revenues, the value of, or our return from, an affected property.

Our revenues and the value of our portfolio are affected by a number of factors that affect investments in real estate generally.

We are subject to the general risks of investing in real estate. These include adverse changes in economic conditions and local conditions such as changing demographics, retailing trends and traffic patterns, declines in the rental rates, changes in the supply and price of quality properties and the market supply and demand of competing properties, the impact of environmental laws, security concerns, prepayment penalties applicable under mortgage financings, changes in tax, zoning, building code, fire safety and other laws and regulations, the type of insurance coverage available in the market, and changes in the type, capacity and sophistication of building systems. Approximately 59%, 13.5% and 11.3% of our 2010 contractual rental income is expected to come from retail, industrial, and office tenants, respectively, and we are vulnerable to economic declines that negatively impact these sectors of the economy, which could have an adverse effect on our results of operations, liquidity and financial condition.

Our revenues and the value of our portfolio are affected by a number of factors that affect investments in leased real estate generally.

We are subject to the general risks of investing in leased real estate. These include the non-performance of lease obligations by tenants, leasehold improvements that will be costly or difficult to remove should it become necessary to re-rent the leased space for other uses, covenants in certain retail leases that limit the types of tenants to which available space can be rented (which may limit demand or reduce the rents realized on re-renting), rights of termination of leases due to events of casualty or condemnation affecting the leased space or the property or due to interruption of the tenant’s quiet enjoyment of the leased premises, and obligations of a landlord to restore the leased premises or the property following events of casualty or condemnation. The occurrence of any of these events could adversely impact our results of operations, liquidity and financial condition.

Real estate investments are relatively illiquid and their values may decline.

Real estate investments are relatively illiquid. Therefore, we will be limited in our ability to reconfigure our real estate portfolio in response to economic changes. We may encounter difficulty in disposing of properties when tenants vacate either at the expiration of the applicable lease or otherwise. If we decide to sell any of our properties, our ability to sell these properties and the prices we receive on their sale may be affected by many factors, including the number of potential buyers, the number of competing properties on the market and other market conditions, as well as whether the property is leased and if it is leased, the terms of the lease. As a result, we may be unable to sell our properties for an extended period of time without incurring a loss, which would adversely affect our results of operations, liquidity and financial condition.

The concentration of our properties in certain geographic areas may make our revenues and the value of our portfolio vulnerable to adverse changes in local economic conditions.

We do not have specific limitations on the total percentage of our real estate properties that may be located in any one geographic area. Consequently, properties that we own may be located in the same or a limited number of geographic regions. Approximately 31% of our rental income (excluding our share of rental income from our joint ventures) for the year ended December 31, 2009 was, and approximately 30% of our 2010 contractual rental income will be, derived from properties located in Texas and New York. At December 31, 2009, 27% of the depreciated book value of our real estate investments (excluding our share of the assets from our joint ventures) were located in Texas and New York. As a result, a decline in the economic conditions in these geographic regions, or in geographic regions where our properties may be concentrated in the future, may have an adverse effect on the rental and occupancy rates for, and the property values of, these properties, which could lead to a reduction in our rental income and in the results of operations.

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We may pay our stockholder distributions in shares of our common stock, thereby reducing the cash a stockholder would have otherwise received from us.

Effective with respect to distributions declared on or after January 1, 2008, and applicable to REIT distributions with respect to taxable income from years ending on or before December 31, 2011, the Internal Revenue Service has issued Revenue Procedures in order to assist REITs in retaining cash, while simultaneously satisfying their tax distribution requirements. Pursuant to these Revenue Procedures, REITs may temporarily satisfy the distribution requirements for their taxable income from 2009, 2010 and 2011 by offering their stockholders the option to receive the distribution in cash or the REIT's stock. If too many of a REIT's stockholders elect to receive only cash, each such stockholder may receive up to 90% of the distribution in shares of stock, thereby reducing the cash such stockholder would have otherwise received from such REIT. We have elected to take advantage of these Revenue Procedures, and the distributions we paid on April 27, 2009, July 21, 2009, October 30, 2009 and January 25, 2010, consisted of 90% stock and 10% cash. On March 9, 2010, our board of directors declared a distribution of $.30 per share to be paid on April 6, 2010, which will consist of all cash. For any other distributions we declare applicable to 2009, 2010 or 2011 taxable income, we may provide our stockholders with the option of receiving such distribution in cash or shares of our common stock to be determined by our board of directors. A distribution which consists of cash and stock may negatively impact the market price of our common stock.

If we reduce our dividend, the market value of our common stock may decline.

The level of our common stock dividend is established by our board of directors from time to time based on a variety of factors, including our cash available for distribution, our funds from operations and our maintenance of REIT status. Various factors could cause our board of directors to decrease our dividend level, including tenant defaults or bankruptcies resulting in a material reduction in our funds from operations or a material loss resulting from an adverse change in the value of one or more of our properties. If our board determines to reduce our common stock dividend, the market value of our common stock could be adversely affected.

We cannot assure you of our ability to pay dividends in the future.

We intend to pay quarterly dividends and to make distributions to our stockholders in amounts such that all or substantially all of our taxable income in each year, subject to certain adjustments, is distributed. This, along with other factors, will enable us to quality for the tax benefits accorded to a REIT under the Code. We have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected by the risk factors described in this Annual Report on Form 10-K. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as our board of directors may deem relevant from time to time. If the economic crisis and recession continues, our tenants may be further affected, which could likely cause a decline in our revenues, and may reduce or eliminate our profitability and result in the reduction or elimination of our dividends.

Competition in the real estate business is intense and could reduce our revenues and harm our business.

We compete for real estate investments with all types of investors, including domestic and foreign corporations and real estate companies, financial institutions, insurance companies, pension funds, investment funds, other REITs and individuals. Many of these competitors have significant advantages over us, including a larger, more diverse group of properties and greater financial and other resources.

Compliance with environmental regulations and associated costs could adversely affect our liquidity.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at the property and may be held liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred in connection with contamination. The cost of investigation, remediation or removal of hazardous or toxic substances may be substantial, and the presence of such substances, or the failure to properly remediate a property, may adversely affect our ability to sell or rent the property or to borrow money using the property as collateral. In connection with our ownership, operation and management of real properties, we may be considered an owner or operator of the properties and, therefore, potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and liability for injuries to persons and property, not only with respect to properties we own now or may acquire, but also with respect to properties we have owned in the past.

We cannot provide any assurance that existing environmental studies with respect to any of our properties reveal all potential environmental liabilities, that any prior owner of a property did not create any material environmental condition not known to us, or that a material environmental condition does not otherwise exist, or may not exist in the future, as to any one or more of our properties. If a material environmental condition does in fact exist, or exists in the future, the remediation of costs could have a material adverse impact upon our results of operations, liquidity and financial condition.

Compliance with the Americans with Disabilities Act could be costly.

Under the Americans with Disabilities Act of 1990, all public accommodations must meet Federal requirements for access and use by disabled persons. A determination that our properties do not comply with the Americans with Disabilities Act could result in liability for both governmental fines and damages. If we are required to make unanticipated major modifications to any of our properties to comply with the Americans with Disabilities Act, which are determined not to be the responsibility of our tenants, we could incur unanticipated expenses that could have an adverse impact upon our results of operations, liquidity and financial condition.

Our senior management and other key personnel are critical to our business and our future success depends on our ability to retain them.

We depend on the services of Fredric H. Gould, chairman of our Board of Directors, Patrick J. Callan, Jr., our president and chief executive officer, Lawrence G. Ricketts, Jr., our executive vice president and chief operating officer, and other members of our senior management to carry out our business and investment strategies. Only two of our senior officers, Messrs. Callan and Ricketts, devote all of their business time to our company. The remainder of our senior management provide services to us on a part-time, as-needed basis. The loss of the services of any of our senior management or other key personnel, or our inability to recruit and retain qualified personnel in the future, could impair our ability to carry out our business and investment strategies. We would need to attract and retain qualified senior management and other key personnel, both on a full-time and part-time basis.

Our transactions with affiliated entities involve conflicts of interest.

From time to time we have entered into transactions with persons and entities affiliated with us and with certain of our officers and directors. Our policy for transactions with affiliates is to have these transactions approved by our audit committee and by a majority of our board of directors, including a majority of our independent directors. We entered into a compensation and services agreement with Majestic Property Management Corp. effective as of January 1, 2007. Majestic Property Management Corp. is wholly-owned by the chairman of our Board of Directors and it provides compensation to certain of our senior executive officers. Pursuant to the compensation and services agreement, we pay an annual fee to Majestic Property Management Corp. and they assume our obligations under a shared services agreement, and provide us with the services of all affiliated executive, administrative, legal, accounting and clerical personnel that we use on a part time basis, as well as certain property management services, property acquisition, sales and leasing and mortgage brokerage services. In 2009, we paid to Majestic a fee of approximately $2,025,000 under the compensation and services agreement. In addition, in accordance with the compensation and services agreement, in 2009 we paid our chairman a fee of $250,000 and made an additional payment to Majestic Property Management Corp. of $175,000 for our share of all direct office expenses, including rent, telephone, postage, computer services, and internet usage.

Risks Related to the REIT Industry

Failure to qualify as a REIT would result in material adverse tax consequences and would significantly reduce cash available for distributions.

We operate so as to qualify as a REIT under the Internal Revenue Code of 1986, as amended. Qualification as a REIT involves the application of technical and complex legal provisions for which there are limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In addition, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification. If we fail to quality as a REIT, we will be subject to federal, certain additional state and local income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates and would not be allowed a deduction in computing our taxable income for amounts distributed to stockholders. In addition, unless entitled to relief under certain statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. The additional tax would reduce significantly our net income and the cash available for distributions to stockholders.

We are subject to certain distribution requirements that may result in our having to borrow funds at unfavorable rates.

To obtain the favorable tax treatment associated with being a REIT, we generally are required, among other things, to distribute to our stockholders at least 90% of our ordinary taxable income (subject to certain adjustments) each year. To the extent that we satisfy these distribution requirements, but distribute less than 100% of our taxable income we will be subject to federal corporate tax on our undistributed taxable income. In addition, we may be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by us with respect to any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

As a result of differences in timing between the receipt of income and the payment of expenses, and the inclusion of such income and the deduction of such expenses in arriving at taxable income, and the effect of nondeductible capital expenditures, the creation of reserves and the timing of required debt service (including amortization) payments, we may need to borrow funds or make distributions in stock during 2010, in order to make the distributions necessary to retain the tax benefits associated with qualifying as a REIT, even if we believe that then prevailing market conditions are not generally favorable for such borrowings, such as currently is the case. Such borrowings could reduce our net income and the cash available for distributions to holders of our common stock.

Compliance with REIT requirements may hinder our ability to maximize profits.

In order to qualify as a REIT for Federal income tax purposes, we must continually satisfy tests concerning, among other things, our sources of income, the amounts we distribute to our stockholders and the ownership of our stock. We may also be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Accordingly, compliance with REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

In order to qualify as a REIT, we must also ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. Any investment in securities cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, no more than 5% of the value of our assets can consist of the securities of any one issuer, other than a qualified REIT security. If we fail to comply with these requirements, we must dispose of such portion of these securities in excess of these percentages within 30 days after the end of the calendar quarter in order to avoid losing our REIT status and suffering adverse tax consequences. This requirement could cause us to dispose of assets for consideration that is less than their true value and could lead to an adverse impact on our results of operations and financial condition.

Item 1B. Unresolved Staff Comments.

None.

EXECUTIVE OFFICERS

Set forth below is a list of our executive officers whose terms expire at our 2010 annual board of director's meeting. The business history of our officers, who are also directors, will be provided in our proxy statement to be filed pursuant to Regulation 14A not later than April 30, 2010.

NAME	AGE	POSITION WITH THE COMPANY
Fredric H. Gould*	74	Chairman of the Board
Patrick J. Callan, Jr.	47	President, Chief Executive Officer, and Director
Lawrence G. Ricketts, Jr.	33	Executive Vice President and Chief Operating Officer
Jeffrey A. Gould*	44	Senior Vice President and Director
Matthew J. Gould*	50	Senior Vice President and Director
David W. Kalish	62	Senior Vice President and Chief Financial Officer
Israel Rosenzweig	62	Senior Vice President
Mark H. Lundy**	47	Senior Vice President and Secretary
Simeon Brinberg**	76	Senior Vice President
Karen Dunleavy	51	Vice President, Financial
Alysa Block	49	Treasurer

* Matthew J. Gould and Jeffrey A. Gould are Fredric H. Gould's sons.
** Mark H. Lundy is Simeon Brinberg's son-in-law.

Lawrence G. Ricketts, Jr. Mr. Ricketts has been Chief Operating Officer of One Liberty Properties since January 2008, and Vice President since December 1999 (Executive Vice President since June 2006), and has been employed by One Liberty Properties since January 1999.

David W. Kalish. Mr. Kalish has served as Senior Vice President and Chief Financial Officer of One Liberty Properties since June 1990. Mr. Kalish has served as Senior Vice President, Finance of BRT Realty Trust since August 1998 and Vice President and Chief Financial Officer of the managing general partner of Gould Investors L.P. since June 1990. Mr. Kalish is a certified public accountant.

Israel Rosenzweig. Mr. Rosenzweig has been a Senior Vice President of One Liberty Properties since June 1997 and a Senior Vice President of BRT Realty Trust since March 1998. He has been a Vice President of the managing general partner of Gould Investors L.P. since May 1997 and was President of GP Partners, Inc., a sub-advisor to a registered investment advisor, from 2000 to March 2009.

Mark H. Lundy. Mr. Lundy has served as the Secretary of One Liberty Properties since June 1993 and a Vice President since June 2000 (Senior Vice President since June 2006). Mr. Lundy has been a Vice President of BRT Realty Trust since April 1993 (Senior Vice President since March 2005) and a Vice President of the managing general partner of Gould Investors L.P. since July 1990. He is an attorney-at-law and a member of the bars of New York and the District of Columbia.

Simeon Brinberg. Mr. Brinberg has served as a Senior Vice President of One Liberty Properties since 1989. He has been Secretary of BRT Realty Trust since 1983, a Senior Vice President of BRT Realty Trust since 1988 and a Vice President of the managing general partner of Gould Investors L.P. since 1988. Mr. Brinberg is an attorney-at-law and a member of the bar of the State of New York.

Karen Dunleavy. Ms. Dunleavy has been Vice President, Financial of One Liberty Properties since August 1994. She has served as Treasurer of the managing general partner of Gould Investors L.P. since 1986. Ms. Dunleavy is a certified public accountant.

Alysa Block. Ms. Block has been Treasurer of One Liberty Properties since June 2007, and served as Assistant Treasurer from June 1997 to June 2007. Ms. Block also serves as the Treasurer of BRT Realty Trust since March 2008, and served as its Assistant Treasurer from March 1997 to March 2008.

Item 2. Properties.

As of December 31, 2009 (giving effect to a community shopping center we acquired on February 24, 2010), we owned 72 properties, one of which is vacant and one of which is a 50% tenancy in common interest, and participated in five joint ventures that own five properties. The properties owned by us and our joint ventures are suitable and adequate for their current uses. The aggregate net book value of our 71 properties as of December 31, 2009 (excluding the community shopping center we acquired on February 24, 2010), was $345.7 million.

The tables below set forth information as of December 31, 2009 (giving effect to a community shopping center we acquired on February 24, 2010) concerning each property which we own and in which we currently own an equity interest. Except for one movie theater property, we and our joint ventures own fee title to each property.

Our Properties

Location	Type of Property	Percentage of 2010 Contractual Rental Income (1)	Approximate Building Square Feet
Baltimore, MD	Industrial	5.9%	367,000
Parsippany, NJ	Office	5.1	106,680
Hauppauge, NY	Flex	4.6	149,870
Royersford, PA	Retail (2)	4.1	194,451
El Paso, TX	Retail	3.9	110,179
Greensboro, NC	Theater	3.5	61,213
Los Angeles, CA	Office (3)	3.3	106,262
Plano, TX	Retail (4)	3.0	112,389
Brooklyn, NY	Office	2.8	66,000
Knoxville, TN	Retail	2.7	35,330
Columbus, OH	Retail (4)	2.6	96,924
Philadelphia, PA	Industrial	2.3	166,000
Plano, TX	Retail (5)	2.3	51,018
East Palo Alto, CA	Retail (6)	2.3	30,978
Tucker, GA	Health & Fitness	2.2	58,800
Ronkonkoma, NY	Flex	1.9	89,500

Manhattan, NY	Residential	1.8	125,000
Lake Charles, LA	Retail (7)	1.7	54,229
Cedar Park, TX	Retail (4)	1.7	50,810
Columbus, OH	Industrial	1.5	100,220
Grand Rapids, MI	Health & Fitness	1.4	130,000