ONE LIBERTY PROPERTIES INC
Form 10-K
March 14, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2017

Or

o **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 (State or other jurisdiction of Incorporation or Organization)	**13-3147497** (I.R.S. employer Identification No.)
60 Cutter Mill Road, Great Neck, New York (Address of principal executive offices)	**11021** (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 o No ý

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

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 ý No o

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 ý 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. o

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a small reporting company)	Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of June 30, 2017 (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 $338 million.

As of March 1, 2018, the registrant had 19,068,336 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the 2018 annual meeting of stockholders of One Liberty Properties, Inc., to be filed pursuant to Regulation 14A not later than April 30, 2018, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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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 in Maryland on December 20, 1982. We acquire, own and manage a geographically diversified portfolio of industrial, retail (including furniture stores and supermarkets), restaurant, health and fitness and theater properties, many of which are subject to long-term leases. Most of our leases are "net leases" under which the tenant, directly or indirectly, is responsible for paying the real estate taxes, insurance and ordinary maintenance and repairs of the property. As of December 31, 2017, we own 113 properties (excluding a property disposed of in January 2018) and participate in joint ventures that own five properties. These 118 properties are located in 30 states and have an aggregate of approximately 10.7 million square feet (including an aggregate of approximately 1.2 million square feet at properties owned by our joint ventures).

As of December 31, 2017:

- our 2018 contractual rental income (as described below) is $67.7 million.
- the occupancy rate of our properties is 99.6% based on square footage.
- the weighted average remaining term of our mortgage debt is 8.8 years and the weighted average interest rate thereon is 4.22%.
- the weighted average remaining term of the leases generating our 2018 contractual rental income is 8.4 years.

Our 2018 contractual rental income represents, after giving effect to any abatements, concessions or adjustments, the base rent payable to us in 2018 under leases in effect at December 31, 2017. Excluded from 2018 contractual rental income are approximately $483,000 of straight-line rent, amortization of approximately $1.0 million of intangibles, $56,000 of base rent payable through January 31, 2018 with respect to a property we sold in January 2018, and our share of the base rent payable to our joint ventures, which in 2018 is approximately $2.4 million.

2017 Highlights and Recent Developments

In 2017:

- our rental income, net, increased by $4.1 million, or 6.4%, from 2016.
- we acquired four properties for an aggregate purchase price of $43.2 million. The acquired properties account for $3.1 million, or 4.6%, of our 2018 contractual rental income.
- we sold four properties, three of which were vacant, for a net gain on sale of real estate of $9.8 million. The properties sold accounted for 0.5% and 2.6% of 2017 and 2016 rental income, net, respectively.
- we obtained proceeds of $21.2 million from mortgage financings, all of which relate to properties acquired in 2017.
- we increased our quarterly dividend by 4.7% to $0.45 per share, commencing with the dividend declared in December 2017 and paid in January 2018.

we raised net proceeds of approximately $5.6 million from the issuance of 231,000 shares of common stock pursuant to our at-the-market equity offering program.

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we re-leased four vacant properties or portions thereof. In 2017, we incurred an aggregate of $739,000 of real estate operating expenses in carrying such properties. In 2018, we will generate an aggregate of approximately $1.2 million of rental income from such properties and in the future, will not be responsible for the related operating expenses.

on January 30, 2018, we sold a multi-tenant retail property located in Fort Bend, Texas, in which we held an 85% interest, for gross proceeds of $9.2 million and paid off the $4.4 million mortgage. In the quarter ending March 31, 2018, we anticipate recognizing a gain on this sale of approximately $2.4 million. The non-controlling interests' share of the gain from the transaction will be approximately $800,000.

In the narrative portion of this Annual Report on Form 10-K, except as otherwise indicated:

the information with respect to our consolidated joint ventures is generally described as if such ventures are our wholly owned subsidiaries and information with respect to unconsolidated joint ventures is generally separately described,

(i) all references to joint ventures refer to unconsolidated joint ventures, (ii) all interest rates with respect to debt give effect to the related interest rate derivative, if any, (iii) amounts reflected as debt, reflects the gross debt owed, without deducting deferred financing costs, and (iv) square footage and terms of like import refers to the total square footage of the applicable building, including common areas, if any,

2018 contractual rental income derived from multiple properties leased pursuant to a master lease is allocated among such properties based on management's estimate of the appropriate allocations, and

the rental, operating, mortgage and statistical information, excludes the Fort Bend, Texas property sold in January 2018, other than with respect to the disclosures under *"Item 6. Selected Financial Data"* and *"Item 7. Management's Discussion and Analysis of Financial Condition Results of Operations Comparison of Years Ended December 31, 2017 and 2016 " and " Results of Operations Comparison of Years Ended December 31, 2016 and 2015."*

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 primary goal is to acquire single-tenant properties that are subject to long-term net leases that include periodic contractual rental increases or rent increases based on increases in the consumer price index. Periodic contractual rental increases provide reliable increases in future rent payments and 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 and reducing the outstanding principal balance over time. We may, however, acquire a property that is subject to a short-term lease when we believe the property represents a favorable opportunity for generating additional income from its re-lease or has significant residual value. Although the acquisition of single-tenant properties subject to net leases is the focus of our investment strategy, we also consider investments in, among other things, (i) properties that can be re-positioned or re-developed, (ii) community shopping centers anchored by national or regional tenants and (iii) properties ground leased to operators of multi-family properties. We pay substantially all the operating expenses at community shopping centers, a significant portion of which is reimbursed by tenants pursuant to their leases.

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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, a significant portion of our portfolio generated rental income from retail properties. We are sensitive to the risks facing the retail industry and have been addressing our exposure thereto by seeking to acquire properties that capitalize on e-commerce activities, such as e-commerce distribution and warehousing facilities, and by being especially selective in acquiring retail properties. As a result of this emphasis, retail properties generated 43.3%, 46.1%, and 49.5% of rental income, net, in 2017, 2016, and 2015, respectively.

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

Our charter documents do not limit 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 the concentration of investments in any region 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 the acquisition of a net leased property, a ground lease (other than a ground lease of a multi-family property) 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. Further, to the extent our affiliates are unable or unwilling to pursue an acquisition of a multi-family property (including a ground lease of a multi-family property), we may pursue such transaction if it meets our investment objectives.

Investment Evaluation

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

- 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 co-tenancy provisions and the relationship between current rents and market rents;
- the ability of a tenant, if a net leased property, or major tenants, if a multi-tenant property, to meet operational needs and lease obligations;
- an evaluation of the credit quality of the tenant;
- the projected residual value of the property;
- the potential to finance or refinance the property;

potential for income and capital appreciation;

- occupancy of and demand for similar properties in the market area; and
- alternate uses or tenants for the property.

Our Business Objective

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

- identifying opportunistic and strategic property acquisitions consistent with our portfolio and our acquisition strategies;
- obtaining mortgage indebtedness (including refinancings) on favorable terms and maintaining access to capital to finance property acquisitions; and
- monitoring and maintaining our portfolio, including tenant negotiations and lease amendments with tenants that are renewing, expanding or having financial difficulty; and
- managing our portfolio effectively, including opportunistic and strategic property sales.

Typical Property Attributes

As of December 31, 2017, the properties in our portfolio have the following attributes:

- *Net leases.* Most of our leases are net leases under which the tenant is typically responsible for real estate taxes, insurance and ordinary maintenance and repairs. We believe that investments in net leased properties offer reasonably predictable returns.
- *Long-term leases.* Many of our leases are long-term leases. The weighted average remaining term of our leases is 8.4 years. Leases representing approximately 27.3% of our 2018 contractual rental income expire between 2023 and 2026 and leases representing approximately 36.4% of our 2018 contractual rental income expire after 2027.
- *Scheduled rent increases.* Leases representing approximately 73.6% of our 2018 contractual rental income provide for either periodic contractual rent increases or a rent increase based on the consumer price index.

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Our Tenants

The following table sets forth information about the diversification of our tenants by industry sector as of December 31, 2017:

Type of Property	Number of Tenants	Number of Properties	2018 Contractual Rental Income	Percentage of 2018 Contractual Rental Income
Industrial	31	28	$ 25,119,990	37.1
Retail General	57	35	15,963,958	23.6
Retail Furniture(1)	3	14	6,109,003	9.0
Restaurant	10	16	3,185,623	4.7
Health & Fitness	1	3	3,080,333	4.5
Retail Supermarket	3	3	2,718,682	4.0
Retail Office Supply(2)	1	7	2,406,728	3.6
Theater	1	2	2,293,132	3.4
Other	5	5	6,856,708	10.1
	112	113	$ 67,734,157	100.0

(1) Eleven properties are net leased to Haverty Furniture Companies, Inc., which we refer to as Haverty Furniture, pursuant to a master lease covering all such properties.

(2) Includes seven properties which are net leased to Office Depot pursuant to seven separate leases. Five of the Office Depot leases contain cross-default provisions.

Many of our tenants (including franchisees of national chains) operate on a national basis including, among others, Advanced Auto, Applebees, Barnes & Noble, Burlington Coat Factory, CarMax, CVS, Famous Footwear, FedEx, Ferguson Enterprises, LA Fitness, Marshalls, Men's Wearhouse, Northern Tool, Office Depot, Party City, PetSmart, Ross Stores, Shutterfly, TGI Friday's, The Toro Company, Urban Outfitters, Walgreens, Wendy's and Whole Foods, and some of our tenants operate on a regional basis, including Haverty Furniture and Giant Food Stores.

Our Leases

Most of our leases are net leases under which the tenant, in addition to its rental obligation, typically is responsible, directly or indirectly for expenses attributable to the operation of the property, such as real estate taxes and assessments, insurance and ordinary maintenance and repairs. 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 and naming us an additional insured. 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 or for rent increases pursuant to a formula based on the consumer price index. Some of our leases provide for minimum rents supplemented by additional payments based on sales derived from the property subject to the lease (*i.e.*, percentage rent). Percentage rent from four properties contributed $263,000 to 2017 rental income, of which $174,000 was contributed by one tenant. Percentage rent contributed $42,000, and $38,000 to rental income in 2016 and 2015, respectively.

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Generally, our strategy is 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 expirations of leases at our properties as of December 31, 2017:

Year of Lease Expiration(1)	Number of Expiring Leases	Approximate Square Footage Subject to Expiring Leases	2018 Contractual Rental Income Under Expiring Leases	Percentage of 2018 Contractual Rental Income Represented by Expiring Leases
2018	12	206,592	$ 1,333,898	2.0
2019	12	321,507	2,952,389	4.4
2020	9	110,548	1,621,506	2.4
2021	18	578,070	4,194,598	6.2
2022	25	2,144,389	14,424,295	21.3
2023	13	852,141	5,689,479	8.4
2024	6	408,093	2,069,484	3.1
2025	10	387,202	5,410,643	8.0
2026	11	551,229	5,266,182	7.8
2027 and thereafter	33	3,827,219	24,771,683	36.4
	149	9,386,990	$ 67,734,157	100.0

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

Financing, Re-Renting and Disposition of Our Properties

Our revolving credit facility provides us with a source of funds that may be used to acquire properties, payoff existing mortgages, and to a more limited extent, invest in joint ventures, implement property improvements and for working capital purposes. Net proceeds received from the sale, financing or refinancing of properties are generally required to be used to repay amounts outstanding under our facility. See *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Credit Facility"*.

We mortgage specific properties on a non-recourse basis, subject to the standard carve-outs described under *"Item 2. Properties Mortgage Debt"*, 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.

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. 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. If there is a substantial tax gain, we may seek to enter into a tax deferred transaction and reinvest the proceeds in another property. Cash realized from the sale of properties, net of required payoffs of the related mortgage debt, if any, required paydowns of our credit facility, and distributions to stockholders, is available for general working capital purposes and the acquisition of additional properties.

Our Joint Ventures

As of December 31, 2017, we participated in five joint ventures that own an aggregate of five properties, with approximately 1.2 million square feet of space. Four of the properties are retail properties and one is an industrial property. We own 50% of the equity interest in all of these joint ventures. At December 31, 2017, our investment in joint ventures was approximately $10.7 million and the occupancy rate at the properties owned by these ventures, based on square footage, was 97.6%.

Based on the leases in effect at December 31, 2017, we anticipate that our share of the base rent payable in 2018 to our joint ventures is approximately $2.4 million. Leases for two properties are expected to contribute 86.5% of the aggregate base rent payable to all of our joint ventures in 2018. Leases with respect to 55.6%, 11.9% and 32.5% of the aggregate base rent payable to all of our joint ventures in 2018, is payable pursuant to leases expiring from 2018 to 2019, from 2020 to 2021, and thereafter, respectively.

See *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Other Developments"* for information regarding properties tenanted by Kmart.

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, many of which have significant advantages over us, including a larger, more diverse group of properties and greater financial (including access to debt on more favorable terms) and other resources than we have.

Our Structure

Nine employees, including Patrick J. Callan, Jr., our president and chief executive officer, Lawrence G. Ricketts, Jr., our executive vice president and chief operating officer, Justin Clair, a vice president, Karen Dunleavy, vice president-financial and five other employees, devote all of their business time to us. Our other executive, administrative, legal, accounting and clerical personnel provide their services to us on a part-time basis pursuant to the compensation and services agreement described below.

We entered into a compensation and services agreement with Majestic Property Management Corp. effective as of January 1, 2007. Majestic Property is wholly-owned by our vice chairman of the board and it provides compensation to certain of our executive officers. Pursuant to this agreement, we pay fees to Majestic Property and Majestic Property 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 property management services, property acquisition, sales and leasing and mortgage brokerage services. The fees we pay Majestic Property are negotiated by us and Majestic Property in consultation with our audit and compensation committees, and are approved by these committees and our independent directors.

In 2017, pursuant to the compensation and services agreement, we paid Majestic Property a fee of approximately $2.7 million plus $216,000 for our share of all direct office expenses, including rent, telephone, postage, computer services, supplies and internet usage. Included in the $2.7 million fee is $1,154,000 for property management services the fee for the property management services is based on 1.5% and 2.0% of the rental payments (including tenant reimbursements) actually received by us from net lease tenants and operating lease tenants, respectively. Property management fees are not paid to Majestic Property with respect to properties managed by third parties. Based on our portfolio of properties at December 31, 2017, we estimate that the property management fee in 2018 will be approximately $1,190,000.

We believe that the compensation and services agreement allows us to benefit from (i) 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, (ii) other individuals who perform services on our behalf, and (iii) general economies of scale. If not for this 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. See Note 12 to our consolidated financial statements for information regarding equity awards to individuals performing services on our behalf pursuant to the compensation and services agreement.

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,"

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"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;
- compliance with credit facility covenants;
- increased 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 *Item 1A. Risk Factors*.

Any or all of our forward-looking statements in this report 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 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 operations, 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

Approximately 40.2% of our 2018 contractual rental income is derived from tenants operating in the retail industry and the failure of those tenants to pay rent would significantly reduce our revenues.

Approximately 40.2% of our 2018 contractual rental income is derived from retail tenants, including 9.0% from tenants engaged in retail furniture (*i.e.*, Haverty Furniture accounts for 7.1% of

2018 contractual rental income) and 3.6% from tenants engaged in office supply activities (*i.e*., Office Depot accounts for 3.6% of 2018 contractual rental income).

Various factors could cause our retail tenants to close their locations, including difficult economic conditions and e-commerce competition. The failure of our retail tenants to meet their lease obligations, including rent payment obligations, due to these and other factors, may make it difficult for us to satisfy our operating and debt service requirements, make capital expenditures and pay dividends.

If we are unable to re-rent properties upon the expiration of our leases or if our tenants default or seek bankruptcy protection, our rental income will be reduced and we would incur additional costs.

Substantially all of our rental income is derived from rent paid by our tenants. From 2018 through 2020, leases with respect to 33 tenants that account for 8.8% of our 2018 contractual rental income, expire. If our tenants, and in particular, our significant tenants, (i) do not renew their leases upon the expiration of same, (ii) default on their obligations or (iii) seek rent relief, lease renegotiation or other accommodations, our revenues could decline and, in certain cases, co-tenancy provisions may be triggered possibly allowing other tenants at the same property to reduce their rental payments or terminate their leases. At the same time, we would remain responsible for the payment of the mortgage obligations with respect to the related properties and would become responsible for the operating expenses related to these properties, including, among other things, real estate taxes, maintenance and insurance. In addition, we may incur expenses in 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 tenant's space, may be less favorable than current lease terms and could reduce the amount of cash available to meet expenses and pay dividends. If tenants facing financial difficulties default on their obligation to pay rent or do not renew their leases at lease expiration, our results of operations and financial condition may be adversely affected. See "*Item 7. Management's Discussion and Analysis of Financial Condition or Results of Operations Other Developments*".

Approximately 22.9% of our 2018 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, LA Fitness, Northern Tool, Office Depot and Ferguson Enterprises account for approximately 7.1%, 4.5%, 4.2%, 3.6% and 3.5%, respectively, of our 2018 contractual rental income. The default, financial distress or bankruptcy of any of these tenants could cause interruptions in the receipt of, or the loss of, a significant amount of rental income and would require us to pay operating expenses (including real estate taxes) 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.

Competition that traditional retail tenants face from e-commerce retail sales could adversely affect our business.

Our retail tenants face increasing competition from e-commerce retailers. These retailers may be able to provide customers with better pricing and the ease and comfort of shopping from their home or office. E-commerce sales have been obtaining an increasing percentage of retail sales over the past few years and this trend is expected to continue. The continued growth of e-commerce sales could decrease the need for traditional retail outlets and reduce retailers' space and property requirements. This could adversely impact our ability to rent space at our retail properties and increase competition for retail tenants thereby reducing the rent we would receive at these properties and adversely affect our results of operations and financial condition.

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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.

We had, as of December 31, 2017, $392.5 million in mortgage debt outstanding, all of which is non-recourse (subject to standard carve-outs) and our ratio of mortgage debt to total assets was 53.3%. Our joint ventures had $35.0 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 indebtedness and our available cash and cash equivalents will be insufficient to meet required payments of principal and interest.

Generally, only a portion of the principal of our mortgage indebtedness will be repaid prior to or at maturity and we do not plan to retain sufficient cash to repay such indebtedness at maturity. Accordingly, 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 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. From 2018 through 2022, approximately $111.4 million of our mortgage debt matures specifically, $20.4 million in 2018, $14.6 million in 2019, $11.9 million in 2020, $20.7 million in 2021 and $43.8 million in 2022. With respect to our joint ventures, approximately $14.2 million of mortgage debt matures from 2018 through 2022 specifically, $4.3 million in 2018, $877,000 in 2019, $911,000 in 2020, $948,000 in 2021, and $7.2 million in 2022. If we (or our joint ventures) are unsuccessful 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.

We may find that the value of a property could be less than the mortgage secured by such property. We may also have to decide whether we should refinance or pay off a mortgage on a property at which the mortgage matures prior to lease expiration and the tenant may not renew the lease. In these types of situations, after evaluating various factors, including among other things, the tenant's competitive position in the applicable submarket, our and our tenant's estimates of its prospects, consideration of alternative uses and opportunities to re-purpose or re-let the property, we may seek to renegotiate the terms of the mortgage, or to the extent that the loan is non-recourse and the terms of the mortgage cannot be satisfactorily renegotiated, forfeit the property by conveying it to the mortgagee and writing off our investment.

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

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 any of our properties at which indicators of impairment exist have a fair market value below the net book value of such property, 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; such impairment charges may then increase in subsequent quarters. This evaluation may lead us to write off any straight-line rent receivable and lease intangible balances recorded with respect to such property. 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.

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

Many of the properties we own are located in the same or a limited number of geographic regions. Approximately 40.7% of our 2018 contractual rental income will be derived from properties located in five states Texas (11.9%), South Carolina (8.3%), New York (7.9%), Pennsylvania (6.4%) and North Carolina (6.2%). At December 31, 2017, approximately 43.1% of the net book value of our real estate investments was located in five states Texas (11.3%), South Carolina (9.6%), Pennsylvania (9.3%), Tennessee (7.2%) and Maryland (5.7%). As a result, a decline in the economic conditions in these states or in 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 of our rental income and/or impairment charges.

If interest rates increase or credit markets tighten, it may be more 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, sell certain properties, and decrease our stock price.

An increase in interest rates could reduce the amount investors are willing to pay for our common stock. Because REIT stocks are often perceived as high-yield investments, investors may perceive less relative benefit to owning REIT stocks as interest rates and the yield on government treasuries and other bonds increase.

Increases in interest rates or reduced access to credit markets may make it difficult for us to obtain financing, refinance mortgage debt, limit the mortgage debt available on properties we wish to acquire and limit the 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 may be unable to refinance the entire outstanding loan balance or be subject to unfavorable terms (such as higher loan fees, interest rates and periodic payments) if we do refinance the loan balance. In addition, an increase in interest rates could decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to reposition our portfolio promptly in response to changes in economic or other conditions.

While interest rates have been at historically low levels the past several years, they have recently been increasing and become increasingly volatile. At December 29, 2017 and February 28, 2018, the interest rate on the 10-year treasury note was 2.40% and 2.87%, respectively. If we are required to refinance mortgage debt that matures over the next several years at higher interest rates than such mortgage debt currently bears, the funds available for dividends may be reduced. The following table sets forth, as of December 31, 2017, the principal balance of the mortgage payments due at maturity on our properties and the weighted average interest rate thereon (dollars in thousands):

Year	Principal Balances Due at Maturity	Weighted Average Interest Rate Percentage
2018	$ 10,260	4.26
2019	3,485	3.88
2020		
2021	8,463	4.13
2022	31,539	3.92
2023 and thereafter	214,048	4.20

We manage a substantial portion of our exposure to interest rate risk by accessing debt with staggered maturities, obtaining fixed rate mortgage debt and through the use of interest rate swap agreements. However, no amount of hedging activity can fully insulate us from the risks associated with changes in interest rates. Swap agreements involve risk, including that counterparties may fail to honor

their obligations under these arrangements, and that these arrangements may cause us to pay higher interest rates on our debt obligations than would otherwise be the case. Failure to hedge effectively against interest rate risk could adversely affect our results of operations and financial condition.

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

The terms of our revolving credit facility limit our ability to incur indebtedness, including limiting the total indebtedness that we may incur to an amount equal to 70% of the total value (as defined in the credit facility) 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 pay dividends.

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 covenants that require us to maintain certain financial ratios and comply with other 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 dividends.

Certain of 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. However, under the provisions of certain net and ground leases, we are required to pay some expenses, such as the costs of environmental liabilities, roof and structural repairs, insurance premiums, 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 pay dividends 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.

Most 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 be insufficient (i) to pay the full replacement cost of the improvements at the property following a casualty event or (ii) if coverage is provided pursuant to a blanket policy and the tenant's other properties are subject to insurance claims. 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 40.2% and 37.1% of our 2018 contractual rental income is from retail and industrial 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.

We have been, and in the future will be, subject to significant competition and we may not be able to compete successfully for investments.

We have been, and in the future will be, subject to significant competition for attractive investment opportunities from other real estate investors, many of which have greater financial resources than us, including publicly-traded REITs, non-traded REITs, insurance companies, commercial and investment banking firms, private institutional funds, hedge funds, private equity funds and other investors. We may not be able to compete successfully for investments. If we pay higher prices for investments, our returns may be lower and the value of our assets may not increase or may decrease significantly below the amount we paid for such assets. If such events occur, we may experience lower returns on our investments.

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 is distributed. This, along with other factors, will enable us to qualify for the tax benefits accorded to a REIT under the Internal Revenue Code of 1986, as amended, which we refer to as 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 (including taxable income), 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 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, funds from operations, adjusted funds from operations and maintenance of our REIT status. Various factors could cause our board of directors to decrease our dividend level, including insufficient income to cover our dividends, 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 of directors determines to reduce our common stock dividend, the market value of our common stock could be adversely affected.

Our current and future investments in joint ventures could be adversely affected by the lack of sole decision making authority, reliance on joint venture partners' financial condition or insurance coverage, disputes that may arise between our joint venture partners and us and our reliance on one significant joint venture partner.

A number of properties in which we have an interest are owned through consolidated and unconsolidated joint ventures. We may continue to acquire properties through joint ventures and/or contribute some of our properties to joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might file for bankruptcy protection, fail to fund their share of required capital contributions or obtain insurance coverage pursuant to a blanket policy as a result of which claims with respect to other properties covered by such policy and in which we have no interest could reduce or eliminate the coverage available with respect to the joint venture properties. Further, joint venture partners may have conflicting business interests or goals, and as a result there is the potential risk of impasses on decisions, such as a sale and the timing thereof. Any disputes that may arise between joint venture partners and us may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with joint venture partners might result in subjecting properties owned by the joint venture to additional risk. With respect to our (i) consolidated joint ventures, we own, with two

joint venture partners and their respective affiliates, five properties that account for 5.1% of 2018 contractual rental income (and we own one property, of which our share of the annual base rent in 2018 is $1.4 million, with one of these joint venture partners through an unconsolidated joint venture), and (ii) unconsolidated joint ventures, we own, with one joint venture partner and its affiliates, three properties which account for our $326,000 share of 2018 base rent payable. We may be adversely affected if we are unable to maintain a satisfactory working relationship with these joint venture partners or if any of these partners becomes financially distressed.

Compliance with environmental regulations and associated costs could adversely affect our results of operations and 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 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 Matthew J. Gould, chairman of our board of directors, Fredric H. Gould, vice 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, David W. Kalish, our senior vice president and chief financial officer and Karen Dunleavy, our vice president financial, and other members of our senior management to carry out our business and investment strategies. Only three of our senior officers, Messrs. Callan and Ricketts, and Ms. Dunleavy, devote all of their business time to us. The remainder of our senior management provides services to us on a part-time, as-needed basis. The loss of the services of any of our senior management or other key

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personnel, the inability or failure of the members of senior management providing services to us on a part-time basis to devote sufficient time or attention to our activities or our inability to recruit and retain qualified personnel in the future, could impair our ability to carry out our business and investment strategies.

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. Such transactions involve a potential conflict of interest, and entail a risk that we could have obtained more favorable terms if we had entered into such transaction with an unaffiliated third party. Our policy for transactions with affiliates is to have these transactions approved by our audit committee. We entered into a compensation and services agreement with Majestic Property effective as of January 1, 2007. Majestic Property is wholly-owned by the vice chairman of our board of directors and it provides compensation to certain of our part-time senior executive officers and other individuals performing services on our behalf. Pursuant to the compensation and services agreement, we pay an annual fee to Majestic Property which 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 property management services, property acquisition, sales and leasing and mortgage brokerage services. In 2017, pursuant to the compensation and services agreement, we paid Majestic Property a fee of $2.7 million and an additional $216,000 for our share of all direct office expenses, including rent, telephone, postage, computer services, supplies, and internet usage. We also obtain our property insurance in conjunction with Gould Investors L.P., our affiliate, and in 2017, reimbursed Gould Investors $790,000 for our share of the insurance premiums paid by Gould Investors. Gould Investors beneficially owns approximately 9.5% of our outstanding common stock and certain of our senior executive officers are also executive officers of the managing general partner of Gould Investors. See Note 12 of our consolidated financial statements for information regarding equity awards to individuals performing services on our behalf pursuant to the compensation and services agreement.

The failure of any bank in which we deposit our funds could have an adverse impact on our financial condition.

We have diversified our cash and cash equivalents between several banking institutions in an attempt to minimize exposure to any one of these entities. However, the Federal Deposit Insurance Corporation only insures accounts in amounts up to $250,000 per depositor per insured bank. We currently have cash and cash equivalents deposited in certain financial institutions significantly in excess of federally insured levels. If any of the banking institutions in which we have deposited funds ultimately fails, we may lose our deposits over $250,000. The loss of our deposits may have an adverse effect on our financial condition.

Breaches of information technology systems could materially harm our business and reputation.

We collect and retain on information technology systems, certain financial, personal and other sensitive information provided by third parties, including tenants, vendors and employees. We also rely on information technology systems for the collection and distribution of funds. There can be no assurance that we will be able to prevent unauthorized access to sensitive information or the unauthorized distribution of funds. Any loss of this information or unauthorized distribution of funds as a result of a breach of information technology systems may result in loss of funds to which we are entitled, legal liability and costs (including damages and penalties), as well as damage to our reputation, that could materially and adversely affect our business.

We are dependent on third party software for our billing and financial reporting processes.

We are dependent on third party software, and in particular Yardi's property management software, for generating tenant invoices and financial reports. If the software fails (including a failure resulting from such parties unwillingness or inability to maintain or upgrade the functionality of the software), our ability to bill tenants and prepare financial reports could be impaired which would adversely affect our business.

Risks Related to the REIT Industry

Legislative, regulatory or administrative changes could adversely affect us or our stockholders.

The tax laws or regulations governing REITs or the administrative interpretations thereof may be amended at any time. We cannot predict if or when any new or amended law, regulation or administrative interpretation will be adopted, promulgated or become effective, and any such change may apply retroactively. We and our stockholders may be adversely affected by any new or amended law, regulation or administrative interpretation.

On December 22, 2017, the Tax Cuts and Jobs Act, which we refer to as the "Tax Act", was enacted. The Tax Act enacted significant changes to the U.S. federal income tax rules for taxation of individuals and corporations, generally effective for taxable years beginning after December 31, 2017. Most of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. The Tax Act makes numerous large and small changes to the tax rules that do not affect REITs directly but may affect our stockholders and may indirectly affect us.

While the changes in the Tax Act generally appear to be favorable with respect to REITs, the extensive changes to non-REIT provisions in the Code may have unanticipated effects on us or our stockholders. Investors are urged to consult with their tax advisors with respect to the status of the Tax Act and any other regulatory or administrative developments and proposals and their potential effect on investment in our capital stock.

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

We operate so as to qualify as a REIT under the Code. 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 to pay dividends.

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 and state corporate tax on our undistributed taxable income.

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 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 borrowings could reduce our net income and the cash available to pay dividends.

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 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.

Item 2. Properties.

As of December 31, 2017, we own 113 properties with an aggregate net book value of $660.0 million. Our occupancy rate, based on square footage, was 99.6% and 97.3% as of December 31, 2017 and 2016, respectively.

We also participate in joint ventures that own five properties and at December 31, 2017, our investment in these unconsolidated joint ventures is $10.7 million. The occupancy rate of our joint venture properties, based on square footage, was 97.6% and 97.9% as of December 31, 2017 and 2016, respectively.

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Our Properties

The following table details, as of December 31, 2017, certain information about our properties:

Location	Type of Property	Percentage of 2018 Contractual Rental Income	Approximate Square Footage of Building	2018 Contractual Rental Income per Square Foot
Fort Mill, SC	Industrial	4.2	701,595	$ 4.02
Baltimore, MD	Industrial	3.5	367,000	6.39
Royersford, PA(1)	Retail	3.2	194,600	11.48
Round Rock, TX	Assisted Living Facility	3.0	87,560	23.27
Lebanon, TN	Industrial	3.0	540,200	3.73
Hauppauge, NY	Industrial	2.6	149,870	11.87
El Paso, TX	Industrial	2.6	419,821	4.21
Beachwood, OH(2)	Apartments	2.4	349,999	4.68
Greensboro, NC	Theater	2.3	61,213	25.92
W. Hartford, CT	Retail Supermarket	2.3	47,174	32.97
Littleton, CO(3)	Retail	2.1	101,596	14.45
St. Louis, MO(4)	Industrial	2.1	339,094	4.17
Secaucus, NJ	Health & Fitness	2.0	44,863	30.40
El Paso, TX(5)	Retail	1.9	110,179	12.22
McCalla, AL	Industrial	1.8	294,000	4.18
Lincoln, NE	Retail	1.8	112,260	10.75
Brooklyn, NY	Office	1.8	66,000	18.15
Wheaton, IL(2)	Apartments	1.7	300,104	3.88
Knoxville, TN	Retail	1.7	35,330	32.84
St. Louis Park, MN(4)	Retail	1.7	131,710	8.50
Fort Mill, SC	Industrial	1.7	303,188	3.69
Joppa, MD	Industrial	1.6	258,710	4.08
Ankeny, IA(4)	Industrial	1.5	208,234	4.96
Tucker, GA	Health & Fitness	1.4	58,800	16.67
Pittston, PA	Industrial	1.4	249,600	3.73
Lakemoor, IL(2)	Apartments	1.2	480,684	1.70
Saco, ME	Industrial	1.2	131,400	6.12
Cedar Park, TX	Retail Furniture	1.1	50,810	14.71
Hamilton, OH	Health & Fitness	1.1	38,000	19.38
Columbus, OH	Retail Furniture	1.1	96,924	7.40
Indianapolis, IN	Theater	1.0	57,688	12.25
Indianapolis, IN	Industrial	1.0	125,622	5.43
Lake Charles, LA(6)	Retail	1.0	54,229	12.23
Greenville, SC(7)	Industrial	0.9	142,200	4.39
Ft. Myers, FL	Retail	0.9	29,993	20.17
Ronkonkoma, NY(4)	Industrial	0.9	90,599	6.61
Huntersville, NC	Industrial	0.9	78,319	7.50
Kennesaw, GA	Retail	0.8	32,138	17.90
Memphis, TN	Industrial	0.8	224,749	2.56
Wichita, KS	Retail Furniture	0.8	88,108	6.35
Greenville, SC(7)	Industrial	0.8	128,000	4.35
Champaign, IL(4)	Retail	0.8	50,530	10.78
Chicago, IL	Retail Office Supply	0.8	23,939	22.16
New Hope, MN	Industrial	0.8	122,461	4.33

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Location	Type of Property	Percentage of 2018 Contractual Rental Income	Approximate Square Footage of Building	2018 Contractual Rental Income per Square Foot
Clemmons, NC	Retail	0.8	96,725	5.40
Melville, NY	Industrial	0.8	51,351	10.06
Tyler, TX	Retail Furniture	0.7	72,000	6.75
Athens, GA(8)	Retail	0.7	41,280	11.63
Fayetteville, GA	Retail Furniture	0.7	65,951	6.97
Louisville, KY	Industrial	0.7	125,370	3.60
Onalaska, WI	Retail	0.7	63,919	7.00
Cary, NC	Retail Office Supply	0.7	33,490	13.29
Highlands Ranch, CO	Retail	0.6	43,480	10.12
New Hyde Park, NY	Industrial	0.6	38,000	10.99
Houston, TX	Retail	0.6	25,005	16.70
Richmond, VA	Retail Furniture	0.6	38,788	10.53
Amarillo, TX	Retail Furniture	0.6	72,027	5.64
Deptford, NJ	Retail	0.6	25,358	15.90
Virginia Beach, VA	Retail Furniture	0.6	58,937	6.82
Lexington, KY	Retail Furniture	0.6	30,173	12.48
Eugene, OR	Retail Office Supply	0.5	24,978	14.88
Duluth, GA	Retail Furniture	0.5	50,260	7.29
Newark, DE	Retail	0.5	23,547	15.40
Newport News, VA	Retail Furniture	0.5	49,865	7.09
Woodbury, MN	Retail	0.5	49,406	7.00
El Paso, TX	Retail Office Supply	0.5	25,000	13.81
Columbus, OH	Industrial	0.5	105,191	3.25
Houston, TX	Retail	0.5	20,087	16.00
Durham, NC	Industrial	0.5	46,181	6.95
Greensboro, NC	Retail	0.4	12,950	23.00
Hyannis, MA	Retail	0.4	9,750	30.07
Selden, NY	Retail	0.4	14,555	20.00
Gurnee, IL	Retail Furniture	0.4	22,768	12.21
Bluffton, SC	Retail Furniture	0.4	35,011	7.92
Naples, FL	Retail Furniture	0.4	15,912	17.00
Pinellas Park, FL	Industrial	0.4	53,064	5.03
Carrollton, GA	Restaurant	0.4	6,012	43.87
Batavia, NY	Retail Office Supply	0.4	23,483	11.09
Philadelphia, PA	Retail Supermarket	0.4	57,653	4.51
Hauppauge, NY	Restaurant	0.4	7,000	36.65
Cartersville, GA	Restaurant	0.4	5,635	44.16
Richmond, VA	Restaurant	0.3	9,367	25.07
Greensboro, NC	Restaurant	0.3	6,655	35.13
W. Hartford, CT(9)	Retail	0.3		
Myrtle Beach, SC	Restaurant	0.3	6,734	31.83
Somerville, MA	Retail	0.3	12,054	17.42
Kennesaw, GA	Restaurant	0.3	4,051	50.43
Bolingbrook, IL	Retail	0.3	33,111	6.10
Concord, NC	Restaurant	0.3	4,749	42.23
Cape Girardeau, MO	Retail	0.3	13,502	14.71
Lawrenceville, GA	Restaurant	0.3	4,025	48.64
Everett, MA	Retail	0.3	18,572	10.39

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Location	Type of Property	Percentage of 2018 Contractual Rental Income	Approximate Square Footage of Building	2018 Contractual Rental Income per Square Foot
Marston Mills, MA	Retail	0.3	8,775	20.75
Miamisburg, OH	Industrial	0.2	35,707	4.57
Monroeville, PA	Retail	0.2	6,051	25.30
Reading, PA	Restaurant	0.2	2,754	52.00
Reading, PA	Restaurant	0.2	2,551	54.79
West Palm Beach, FL	Industrial	0.2	10,361	13.17
Gettysburg, PA	Restaurant	0.2	2,944	43.42
Hanover, PA	Restaurant	0.2	2,702	46.74
Houston, TX	Retail	0.2	12,000	10.50
Palmyra, PA	Restaurant	0.2	2,798	44.43
Trexlertown, PA	Restaurant	0.2	3,004	40.55
Cuyahoga Falls, OH	Retail	0.2	6,796	17.21
South Euclid, OH	Retail	0.2	11,672	9.94
Hilliard, OH	Retail	0.2	6,751	15.55
Lawrence, KS	Retail	0.2	8,600	12.21
Port Clinton, OH	Retail	0.1	6,749	15.19
Indianapolis, IN	Restaurant	0.1	12,820	6.43
Rosenberg, TX	Retail	0.1	8,000	8.79
Seattle, WA	Retail	0.1	3,053	16.00
Louisville, KY	Industrial	0.1	9,642	4.02
Crystal Lake, IL(10)	Vacant		32,446	
		100.0	9,428,251	

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(1) This property, a community shopping center, is leased to eleven tenants. Contractual rental income per square foot excludes 3,850 vacant square feet. Approximately 27.9% of the square footage is leased to a supermarket.

(2) This property is ground leased to a multi-unit apartment complex owner/operator. Reflects contingent rent that may be received subject to the satisfaction of performance requirements. See Notes 4 and 7 of our consolidated financial statements.

(3) This property, a community shopping center, is leased to 27 tenants. Contractual rental income per square foot excludes 2,570 vacant square feet.

(4) This property has two tenants.

(5) This property has four tenants. Contractual rental income per square foot excludes 2,395 vacant square feet.

(6) This property has three tenants. Approximately 43.4% of the square footage is leased to a retail office supply operator.

(7) This property has three tenants.

(8)

This property has two tenants. Approximately 48.4% of the square footage is leased to a retail office supply operator.

(9) This property provides additional parking for the W. Hartford, CT, retail supermarket.

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(10)
This property was operated as a hhgregg. The tenant filed for Chapter 11 bankruptcy protection, rejected the lease and in late May 2017, vacated the property. At December 31, 2017, the property is vacant.

Properties Owned by Joint Ventures

The following table sets forth, as of December 31, 2017, information about the properties owned by joint ventures in which we are a venture partner:

Location	Type of Property	Percentage of Base Rent Payable in 2018 Contributed by the Applicable Joint Venture(1)	Approximate Square Footage of Building	2018 Base Rent per Square Foot
Manahawkin, NJ(2)	Retail	59.4	319,349	$ 9.92
Milwaukee, WI	Industrial	27.1	750,300	1.75
Savannah, GA	Retail	7.4	45,973	7.77
Savannah, GA	Retail	5.1	101,550	2.44
Savannah, GA	Retail	1.0	7,959	5.93
		100.0	1,225,131	

(1)
Represents the base rent payable in 2018 with respect to such joint venture property, expressed as a percentage of the aggregate base rent payable in 2018 with respect to all of our joint venture properties.

(2)
This property, a community shopping center, is leased to 25 tenants. Base rent per square foot excludes 29,068 vacant square feet.

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Geographic Concentration

As of December 31, 2017, the 113 properties owned by us are located in 30 states. The following table sets forth information, presented by state, related to our properties as of December 31, 2017:

State	Number of Properties	2018 Contractual Rental Income	Percentage of 2018 Contractual Rental Income	Approximate Building Square Feet
Texas	11	$ 8,043,732	11.9	902,489
South Carolina	6	5,610,987	8.3	1,316,728
New York	8	5,317,586	7.9	440,858
Pennsylvania	10	4,316,651	6.4	524,657
North Carolina	8	4,193,700	6.2	340,282
Ohio	9	4,037,748	6.0	657,789
Georgia	9	3,774,291	5.6	268,152
Tennessee	3	3,750,286	5.5	800,279
Illinois	7	3,538,228	5.2	943,582
Maryland	2	3,402,779	5.0	625,710
Minnesota	3	1,994,870	2.9	303,577
Colorado	2	1,871,008	2.8	145,076
Connecticut	2	1,779,365	2.6	47,174
New Jersey	2	1,766,818	2.6	70,221
Missouri	2	1,611,325	2.4	352,596
Indiana	3	1,471,540	2.2	196,130
Virginia	4	1,398,944	2.1	156,957
Florida	4	1,278,657	1.9	109,330
Alabama	1	1,228,353	1.8	294,000
Nebraska	1	1,207,188	1.8	112,260
Iowa	1	1,033,122	1.5	208,234
Massachusetts	4	878,252	1.3	49,151
Kentucky	3	866,722	1.3	165,185
Maine	1	803,670	1.1	131,400
Kansas	2	664,617	1.0	96,708
Louisiana	1	663,125	1.0	54,229
Other	4	1,230,593	1.7	115,497
	113	$ 67,734,157	100.0	9,428,251

The following table sets forth information, presented by state, related to the properties owned by our joint ventures as of December 31, 2017:

State	Number of Properties	Our Share of the Base Rent Payable in 2018 to these Joint Ventures	Approximate Building Square Feet
New Jersey	1	$ 1,439,770	319,349
Wisconsin	1	657,844	750,300
Georgia	3	325,958	155,482
	5	$ 2,423,572	1,225,131

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Mortgage Debt

At December 31, 2017, we had:

- 69 first mortgages secured by 86 of our 113 properties; and

- $392.5 million of mortgage debt outstanding with a weighted average interest rate of 4.22% and a weighted average remaining term to maturity of approximately 8.8 years. Substantially all of such mortgage debt bears fixed interest at rates ranging from 3.02% to 6.59% and contains prepayment penalties.

The following table sets forth scheduled principal mortgage payments due on our properties as of December 31, 2017 (dollars in thousands):

YEAR	PRINCIPAL PAYMENTS DUE
2018	$ 20,448
2019	14,610
2020	11,901
2021	20,742
2022	43,771
Thereafter	281,051
Total	$ 392,523

At December 31, 2017, our joint ventures had first mortgages on four properties with outstanding balances aggregating approximately $35.0 million, bearing interest at rates ranging from 3.49% to 5.81% with a weighted average interest rate of 4.07% and a weighted average remaining term to maturity of 6.1 years. Substantially all of these mortgages contain prepayment penalties. The following table sets forth the scheduled principal mortgage payments due for properties owned by our joint ventures as of December 31, 2017 (dollars in thousands):

YEAR	PRINCIPAL PAYMENTS DUE
2018	$ 4,272
2019	877
2020	911
2021	948
2022	7,189
Thereafter	20,850
Total	$ 35,047

The mortgages on our properties are generally non-recourse, subject to standard carve-outs. The term "standard carve-outs" refers to recourse items to an otherwise non-recourse mortgage and are customary to mortgage financing. While carve-outs vary from lender to lender and transaction to transaction, the carve-outs may include, among other things, voluntary bankruptcy filings, environmental liabilities, the sale, financing or encumbrance of the property in violation of loan documents, damage to property as a result of intentional misconduct or gross negligence, failure to pay valid taxes and other claims which could create liens on property and the conversion of security deposits, insurance proceeds or condemnation awards.

Item 3. Legal Proceedings.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

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Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange under the symbol "OLP." The following table sets forth for the periods indicated, the high and low prices for our common stock as reported by the New York Stock Exchange and the per share distributions declared on our common stock.

	2017			2016		
Quarter Ended	**High**	**Low**	**Dividend Declared Per Share(1)**	**High**	**Low**	**Dividend Per Share(1)**
March 31	$ 25.45	$ 21.96	$ .43	$ 22.96	$ 18.80	$ .41
June 30	25.24	22.21	.43	24.90	21.65	.41
September 30	24.81	22.67	.43	25.85	23.50	.41
December 31	27.70	23.61	.45	25.89	22.43	.43

(1) The dividends in the fourth quarter of 2017 and 2016 were distributed on January 5, 2018 and January 5, 2017, respectively.

As of March 7, 2018, there were approximately 294 holders of record of our common stock.

We qualify as a REIT for Federal income tax purposes. In order to maintain that status, we are required to distribute to our stockholders at least 90% of our annual ordinary taxable income. The amount and timing of future distributions will be at the discretion of our board of directors and will depend upon our financial condition, earnings, business plan, cash flow and other factors. We intend to make distributions in an amount at least equal to that necessary for us to maintain our status as a real estate investment trust for Federal income tax purposes.

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Stock Performance Graph

The following graph compares the five year cumulative return of our common stock with the Standard and Poor's 500 index (the "S&P Index") and the FTSE-NAREIT Equity REITs, a peer group index (the "Peer Group Index"). The graph assumes $100 was invested on December 31, 2012 in our common stock, the S&P Index and the Peer Group Index and assumes the reinvestment of dividends.

	December 31,					
	2012	2013	2014	2015	2016	2017
OLP	$ 100.00	$ 105.80	$ 133.05	$ 129.41	$ 162.39	$ 180.11
S&P 500	100.00	132.39	150.51	152.59	170.84	208.14
FTSE NAREIT Equity REITs Index	100.00	102.47	133.35	137.61	149.33	157.14

Issuer Purchases of Equity Securities

We did not repurchase any shares of our outstanding common stock in 2017.

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Item 6. Selected Financial Data.

The following table sets forth on a historical basis our selected financial data. This information should be read in conjunction with our consolidated financial statements and *"Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations"* appearing elsewhere in this Annual Report on Form 10-K.

	As of and for the Year Ended December 31, (Dollars in thousands, except per share data)				
	2017	**2016**	**2015**	**2014**	**2013**
OPERATING DATA					
Total revenues	$ 75,916	$ 70,588	$ 65,711(1)	$ 60,477(1)	$ 50,979
Gain on sale of real estate, net	9,837	10,087	5,392	10,180	4,705
Equity in earnings of unconsolidated joint ventures	826	1,005	412	533	651
Income from continuing operations	24,249	24,481	21,907	22,197	17,409
Income from discontinued operations				13	515
Net income attributable to One Liberty Properties, Inc.	24,147	24,422	20,517	22,116	17,875
Weighted average number of common shares outstanding:					
Basic	17,944	16,768	15,971	15,563	14,948
Diluted	18,047	16,882	16,079	15,663	15,048
Net income per common share basic	$ 1.29	$ 1.40	$ 1.23	$ 1.37	$ 1.15
Net income per common share diluted	$ 1.28	$ 1.39	$ 1.22	$ 1.37	$ 1.14
Cash distributions declared per share of common stock	$ 1.74	$ 1.66	$ 1.58	$ 1.50	$ 1.42
BALANCE SHEET DATA					
Real estate investments, net	$ 666,374	$ 651,213	$ 562,257	$ 504,850	$ 496,187
Unamortized intangible lease assets, net	30,525	32,645	28,978	27,387	26,035
Investment in unconsolidated joint ventures	10,723	10,833	11,350	4,907	4,906
Cash and cash equivalents	13,766	17,420	12,736	20,344	16,631
Total assets	742,586	733,445	646,499		