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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, DC 20549**

# FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2023

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<br>(State or other jurisdiction of incorporation or organization) | 13-3147497<br>(I.R.S. employer identification number) |
| 60 Cutter Mill Road, Great Neck, New York<br>(Address of principal executive offices) | 11021<br>(Zip code) |

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock | OLP | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Yes ☒ No ☐

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

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | Smaller reporting company ☒ |
| Emerging growth company ☐ | |

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 accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes ☐ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 1, 2023, the registrant had 21,065,691 shares of common stock outstanding.

One Liberty Properties, Inc. and Subsidiaries
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**Part I — FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
(Amounts in Thousands, Except Par Value)

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | (Unaudited) | |
| Real estate investments, at cost | | |
| Land | $ 179,342 | $ 181,805 |
| Buildings and improvements | 706,027 | 697,791 |
| Total real estate investments, at cost | 885,369 | 879,596 |
| Less accumulated depreciation | 184,414 | 173,143 |
| Real estate investments, net | 700,955 | 706,453 |
| | | |
| Investment in unconsolidated joint ventures | 9,607 | 10,400 |
| Cash and cash equivalents | 5,471 | 6,718 |
| Unbilled rent receivable | 17,242 | 16,079 |
| Unamortized intangible lease assets, net | 16,848 | 19,841 |
| Escrow, deposits and other assets and receivables | 17,651 | 23,764 |
| Total assets(1) | $ 767,774 | $ 783,255 |
| **LIABILITIES AND EQUITY** | | |
| Liabilities: | | |
| Mortgages payable, net (see Note 8) | $ 416,727 | $ 405,162 |
| Line of credit, net of $594 and $732 of deferred financing costs, respectively | 11,906 | 21,068 |
| Dividends payable | 9,890 | 9,693 |
| Accrued expenses and other liabilities | 15,691 | 19,270 |
| Unamortized intangible lease liabilities, net | 10,443 | 11,125 |
| Total liabilities(1) | 464,657 | 466,318 |
| | | |
| Commitments and contingencies | | |
| | | |
| Equity: | | |
| One Liberty Properties, Inc. stockholders' equity: | | |
| Preferred stock, $1 par value; 12,500 shares authorized; none issued | — | — |
| Common stock, $1 par value; 50,000 shares authorized; 20,409 and 20,362 shares issued and outstanding | 20,409 | 20,362 |
| Paid-in capital | 326,635 | 325,895 |
| Accumulated other comprehensive income | 1,337 | 1,810 |
| Distributions in excess of net income | (46,274) | (32,102) |
| Total One Liberty Properties, Inc. stockholders' equity | 302,107 | 315,965 |
| Non-controlling interests in consolidated joint ventures(1) | 1,010 | 972 |
| Total equity | 303,117 | 316,937 |
| Total liabilities and equity | $ 767,774 | $ 783,255 |

(1) The Company's consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs"). See Note 6. The consolidated balance sheets include the following amounts related to the Company's consolidated VIEs: $10,365 and $10,365 of land, $17,929 and $17,870 of building and improvements, net of $6,235 and $5,670 of accumulated depreciation, $3,163 and $3,518 of other assets included in other line items, $17,960 and $18,500 of real estate debt, net, $1,042 and $1,135 of other liabilities included in other line items and $1,010 and $972 of non-controlling interests as of September 30, 2023 and December 31, 2022, respectively.

See accompanying notes to consolidated financial statements.

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
(Amounts in Thousands, Except Per Share Data)
(Unaudited)

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Revenues: | | | | |
| Rental income, net | $ 22,546 | $ 21,473 | $ 67,905 | $ 64,476 |
| Lease termination fee | — | — | — | 25 |
| Total revenues | 22,546 | 21,473 | 67,905 | 64,501 |
| Operating expenses: | | | | |
| Depreciation and amortization | 6,310 | 5,970 | 18,569 | 17,718 |
| General and administrative (see Note 9 for related party information) | 3,864 | 3,769 | 12,068 | 11,534 |
| Real estate expenses (see Note 9 for related party information) | 4,061 | 3,970 | 12,139 | 11,206 |
| State taxes | 76 | 60 | 232 | 211 |
| Total operating expenses | 14,311 | 13,769 | 43,008 | 40,669 |
| Other operating income | | | | |
| Gain on sale of real estate, net | 332 | 4,063 | 5,046 | 16,762 |
| Operating income | 8,567 | 11,767 | 29,943 | 40,594 |
| Other income and expenses: | | | | |
| Equity in (loss) earnings of unconsolidated joint ventures | (905) | 82 | (761) | 310 |
| Income on settlement of litigation (see Note 13) | — | — | — | 5,388 |
| Other income (see Note 13) | 87 | 17 | 131 | 997 |
| Interest: | | | | |
| Expense | (4,768) | (4,367) | (13,978) | (13,026) |
| Amortization and write-off of deferred financing costs | (212) | (278) | (619) | (917) |
| Net income | 2,769 | 7,221 | 14,716 | 33,346 |
| Net income attributable to non-controlling interests | (22) | (17) | (64) | (52) |
| Net income attributable to One Liberty Properties, Inc. | $ 2,747 | $ 7,204 | $ 14,652 | $ 33,294 |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 20,567 | 20,340 | 20,552 | 20,361 |
| Diluted | 20,596 | 20,416 | 20,598 | 20,472 |
| Per common share attributable to common stockholders: | | | | |
| Basic | $ .12 | $ .34 | $ .67 | $ 1.58 |
| Diluted | $ .12 | $ .34 | $ .66 | $ 1.57 |
| Cash distributions per share of common stock | $ .45 | $ .45 | $ 1.35 | $ 1.35 |

See accompanying notes to consolidated financial statements.

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
(Amounts in Thousands)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income | $ 2,769 | $ 7,221 | $ 14,716 | $ 33,346 |
| Other comprehensive income | | | | |
| Net unrealized (loss) gain on derivative instruments | (207) | 931 | (475) | 3,371 |
| Comprehensive income | 2,562 | 8,152 | 14,241 | 36,717 |
| Net income attributable to non-controlling interests | (22) | (17) | (64) | (52) |
| Adjustment for derivative instruments attributable to non-controlling interests | 1 | (1) | 2 | (3) |
| Comprehensive income attributable to One Liberty Properties, Inc. | $ 2,541 | $ 8,134 | $ 14,179 | $ 36,662 |

See accompanying notes to consolidated financial statements.

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
(Amounts in Thousands, Except Per Share Data)
(Unaudited) (Continued on Next Page)

| | Common Stock | Paid-in Capital | Accumulated Other Comprehensive Income (loss) | Accumulated Distributions in Excess of Net Income | Non-Controlling Interests in Consolidated Joint Ventures | Total |
|---|---|---|---|---|---|---|
| Balances, December 31, 2022 | $ 20,362 | $ 325,895 | $ 1,810 | $ (32,102) | $ 972 | $ 316,937 |
| Distributions – common stock | | | | | | |
| Cash – $.45 per share | — | — | — | (9,628) | — | (9,628) |
| Restricted stock vesting | 135 | (135) | — | — | — | — |
| Shares issued through dividend reinvestment plan | 49 | 1,025 | — | — | — | 1,074 |
| Distributions to non-controlling interests | — | — | — | — | (9) | (9) |
| Compensation expense – restricted stock and RSUs | — | 1,328 | — | — | — | 1,328 |
| Net income | — | — | — | 5,386 | 22 | 5,408 |
| Other comprehensive (loss) | — | — | (409) | — | — | (409) |
| Balances, March 31, 2023 | 20,546 | 328,113 | 1,401 | (36,344) | 985 | 314,701 |
| Distributions – common stock | | | | | | |
| Cash – $.45 per share | — | — | — | (9,626) | — | (9,626) |
| Restricted stock vesting | 17 | (17) | — | — | — | — |
| Repurchases of common stock – net | (73) | (1,382) | — | — | — | (1,455) |
| Shares issued through dividend reinvestment plan | 50 | 1,048 | — | — | — | 1,098 |
| Distributions to non-controlling interests | — | — | — | — | (7) | (7) |
| Compensation expense – restricted stock and RSUs | — | 1,564 | — | — | — | 1,564 |
| Net income | — | — | — | 6,519 | 20 | 6,539 |
| Other comprehensive income (loss) | — | — | 142 | — | (1) | 141 |
| Balances, June 30, 2023 | 20,540 | 329,326 | 1,543 | (39,451) | 997 | 312,955 |
| Distributions – common stock | | | | | | |
| Cash – $.45 per share | — | — | — | (9,570) | — | (9,570) |
| Restricted stock unit vesting | 75 | (75) | — | — | — | — |
| Repurchases of common stock – net | (262) | (4,882) | — | — | — | (5,144) |
| Shares issued through dividend reinvestment plan | 56 | 1,055 | — | — | — | 1,111 |
| Distributions to non-controlling interests | — | — | — | — | (8) | (8) |
| Compensation expense – restricted stock and RSUs | — | 1,211 | — | — | — | 1,211 |
| Net income | — | — | — | 2,747 | 22 | 2,769 |
| Other comprehensive (loss) | — | — | (206) | — | (1) | (207) |
| Balances, September 30, 2023 | $ 20,409 | $ 326,635 | $ 1,337 | $ (46,274) | $ 1,010 | $ 303,117 |

See accompanying notes to consolidated financial statements.

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**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
(Amounts in Thousands, Except Per Share Data)
(Unaudited) (Continued)

| | Common Stock | Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Distributions in Excess of Net Income | Non-Controlling Interests in Consolidated Joint Ventures | Total |
|---|---|---|---|---|---|---|
| Balances, December 31, 2021 | $ 20,239 | $ 322,793 | $ (1,513) | $ (36,187) | $ 946 | $ 306,278 |
| Distributions – common stock | | | | | | |
| Cash – $.45 per share | — | — | — | (9,559) | — | (9,559) |
| Restricted stock vesting | 131 | (131) | — | — | — | — |
| Shares issued through equity offering program – net | 17 | 546 | — | — | — | 563 |
| Shares issued through dividend reinvestment plan | 5 | 156 | — | — | — | 161 |
| Distributions to non-controlling interests | — | — | — | — | (33) | (33) |
| Compensation expense – restricted stock and RSUs | — | 1,325 | — | — | — | 1,325 |
| Net income | — | — | — | 9,323 | 17 | 9,340 |
| Other comprehensive income | — | — | 1,773 | — | 2 | 1,775 |
| Balances, March 31, 2022 | 20,392 | 324,689 | 260 | (36,423) | 932 | 309,850 |
| Distributions – common stock | | | | | | |
| Cash – $.45 per share | — | — | — | (9,494) | — | (9,494) |
| Restricted stock vesting | 16 | (16) | — | — | — | — |
| Repurchases of common stock – net | (133) | (3,285) | — | — | — | (3,418) |
| Shares issued through dividend reinvestment plan | 6 | 157 | — | — | — | 163 |
| Distributions to non-controlling interests | — | — | — | — | (8) | (8) |
| Compensation expense – restricted stock and RSUs | — | 1,559 | — | — | — | 1,559 |
| Net income | — | — | — | 16,767 | 18 | 16,785 |
| Other comprehensive income | — | — | 665 | — | — | 665 |
| Balances, June 30, 2022 | 20,281 | 323,104 | 925 | (29,150) | 942 | 316,102 |
| Distributions – common stock | | | | | | |
| Cash – $.45 per share | — | — | — | (9,504) | — | (9,504) |
| Restricted stock unit vesting | 65 | (65) | — | — | — | — |
| Repurchases of common stock, net | (75) | (1,747) | — | — | — | (1,822) |
| Shares issued through dividend reinvestment plan | 40 | 978 | — | — | — | 1,018 |
| Distributions to non-controlling interests | — | — | — | — | (1) | (1) |
| Compensation expense – restricted stock and RSUs | — | 1,306 | — | — | — | 1,306 |
| Net income | — | — | — | 7,204 | 17 | 7,221 |
| Other comprehensive income | — | — | 930 | — | 1 | 931 |
| Balances, September 30, 2022 | $ 20,311 | $ 323,576 | $ 1,855 | $ (31,450) | $ 959 | $ 315,251 |

See accompanying notes to consolidated financial statements.

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(Amounts in Thousands)
(Unaudited) (Continued on Next Page)

| | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 14,716 | $ 33,346 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on sale of real estate, net | (5,046) | (16,762) |
| Increase in net amortization of unbilled rental income | (1,574) | (1,579) |
| Write-off of unbilled rent receivable | 133 | — |
| Amortization and write-off of intangibles relating to leases, net | (698) | (617) |
| Amortization of restricted stock and RSU compensation expense | 4,103 | 4,190 |
| Equity in loss (earnings) of unconsolidated joint ventures | 761 | (310) |
| Distributions of earnings from unconsolidated joint venture | 23 | 170 |
| Depreciation and amortization | 18,569 | 17,718 |
| Amortization and write-off of deferred financing costs | 619 | 917 |
| Payment of leasing commissions | (499) | (1,101) |
| Decrease (increase) in escrow, deposits, other assets and receivables | 4,088 | (2,049) |
| Increase in accrued expenses and other liabilities | 887 | 897 |
| Net cash provided by operating activities | 36,082 | 34,820 |
| Cash flows from investing activities: | | |
| Purchase of real estate | (9,229) | (39,888) |
| Improvements to real estate | (3,887) | (3,529) |
| Investments in ground leased property | (668) | (499) |
| Net proceeds from sale of real estate | 13,185 | 30,253 |
| Insurance recovery proceeds due to casualty loss | — | 918 |
| Distributions of capital from unconsolidated joint venture | 9 | — |
| Net cash used in investing activities | (590) | (12,745) |
| Cash flows from financing activities: | | |
| Scheduled amortization payments of mortgages payable | (9,284) | (9,601) |
| Repayment of mortgages payable | (6,735) | (54,585) |
| Proceeds from mortgage financings | 23,450 | 70,690 |
| Proceeds from bank line of credit | 30,900 | 39,500 |
| Repayments on bank line of credit | (40,200) | (40,200) |
| Issuance of shares through dividend reinvestment plan | 3,283 | 1,342 |
| Repurchases of common stock, net | (6,599) | (5,240) |
| Proceeds from sale of common stock, net | — | 563 |
| Payment of financing costs | (449) | (839) |
| Distributions to non-controlling interests | (24) | (42) |
| Cash distributions to common stockholders | (28,627) | (28,387) |
| Net cash used in financing activities | (34,285) | (26,799) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 1,207 | (4,724) |
| Cash, cash equivalents and restricted cash at beginning of year | 7,277 | 16,666 |
| Cash, cash equivalents and restricted cash at end of period | $ 8,484 | $ 11,942 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for interest expense | $ 13,939 | $ 12,988 |
| Supplemental disclosure of non-cash investing activity: | | |
| Assumption of mortgage payable upon acquisition of property | $ 4,280 | $ — |
| Lease liabilities adjustment from the reassessment of right of use assets | 3,366 | — |
| Purchase accounting allocation - intangible lease assets | 871 | 2,816 |
| Purchase accounting allocation - mortgage intangible asset | 260 | — |
| Purchase accounting allocation - intangible lease liabilities | (237) | (1,152) |

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(Amounts in Thousands)
(Unaudited) (Continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

| | September 30, | |
|---|---|---|
| | **2023** | **2022** |
| Cash and cash equivalents | $ 5,471 | $ 11,579 |
| Restricted cash included in escrow, deposits and other assets and receivables | 3,013 | 363 |
| Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows | $ 8,484 | $ 11,942 |

Restricted cash included in escrow, deposits and other assets and receivables represents amounts related to real estate tax and other reserve escrows required to be held by lenders in accordance with the Company's mortgage agreements. The restriction on these escrow reserves will lapse when the related mortgage is repaid or when the related reserve conditions are satisfied.

See accompanying notes to consolidated financial statements.

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**SEPTEMBER 30, 2023**

**NOTE 1 – ORGANIZATION AND BACKGROUND**

One Liberty Properties, Inc. ("OLP") was incorporated in 1982 in Maryland. OLP is a self-administered and self-managed real estate investment trust ("REIT"). OLP acquires, owns and manages a geographically diversified portfolio consisting primarily of industrial and retail properties, many of which are subject to long-term net leases. As of September 30, 2023, OLP owns 118 properties, including three properties owned by consolidated joint ventures and three properties owned by unconsolidated joint ventures. The 118 properties are located in 31 states.

**NOTE 2 – SUMMARY ACCOUNTING POLICIES**

***Principles of Consolidation/Basis of Preparation***

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by U.S. Generally Accepted Accounting Principles ("GAAP") for interim reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statement disclosures. In the opinion of management, all adjustments of a normal recurring nature necessary for fair presentation have been included. The results of operations for the three and nine months ended September 30, 2023 and 2022 are not necessarily indicative of the results for the full year. These statements should be read in conjunction with the consolidated financial statements and related notes included in OLP's Annual Report on Form 10-K for the year ended December 31, 2022.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The consolidated financial statements include the accounts and operations of OLP, its wholly-owned subsidiaries, its joint ventures in which the Company, as defined, has a controlling interest, and variable interest entities ("VIEs") of which the Company is the primary beneficiary. OLP and its consolidated subsidiaries are referred to herein as the "Company". Material intercompany items and transactions have been eliminated in consolidation.

***Purchase Accounting for Acquisition of Real Estate***

In acquiring real estate, the Company evaluates whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, and if that requirement is met, the asset group is accounted for as an asset acquisition and not a business combination. Transaction costs incurred with such asset acquisitions are capitalized to real estate assets and depreciated over the respectful useful lives.

The Company allocates the purchase price of real estate, including direct transaction costs applicable to an asset acquisition, among land, building, improvements and intangibles (*e.g.,* the value of above, below and at-market leases, and origination costs associated with in-place leases and above or below-market mortgages assumed at the acquisition date). The value, as determined, is allocated to the gross assets acquired based on management's determination of the relative fair values of these assets and liabilities.

The Company assesses the fair value of the gross assets acquired based on available market information which utilizes estimated cash flow projections; such inputs are categorized as Level 3 inputs in the fair value hierarchy. In determining fair value, factors considered by management include an evaluation of current market demand, market capitalization rates and discount rates, estimates of carrying costs (*e.g.*, real estate taxes, insurance, other operating expenses), and lost rental revenue during the expected lease-up periods. Management also estimates costs to execute similar leases, including leasing commissions and tenant improvements.

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**SEPTEMBER 30, 2023 (CONTINUED)**

**NOTE 2 – SUMMARY ACCOUNTING POLICIES (CONTINUED)**

***Investment in Joint Ventures and Variable Interest Entities***

The Financial Accounting Standards Board, or FASB, provides guidance for determining whether an entity is a VIE. VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. A VIE is required to be consolidated by its primary beneficiary, which is the party that (i) has the power to control the activities that most significantly impact the VIE's economic performance and (ii) has the obligation to absorb losses, or the right to receive benefits, of the VIE that could potentially be significant to the VIE.

The Company assesses the accounting treatment for each of its investments, including a review of each venture or limited liability company or partnership agreement, to determine the rights of each party and whether those rights are protective or participating. The agreements typically contain certain protective rights, such as the requirement of partner approval to sell, finance or refinance the property and to pay capital expenditures and operating expenditures outside of the approved budget or operating plan. In situations where, among other things, the Company and its partners jointly (i) approve the annual budget, (ii) approve certain expenditures, (iii) prepare or review and approve the joint venture's tax return before filing, or (iv) approve each lease at a property, the Company does not consolidate as the Company considers these to be substantive participation rights that result in shared, joint power over the activities that most significantly impact the performance of the joint venture or property. Additionally, the Company assesses the accounting treatment for any interests pursuant to which the Company may have a variable interest as a lessor. Leases may contain certain protective rights, such as the right of sale and the receipt of certain escrow deposits.

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. All investments in unconsolidated joint ventures have sufficient equity at risk to permit the entity to finance its activities without additional subordinated financial support and, as a group, the holders of the equity at risk have power through voting rights to direct the activities of these ventures. As a result, none of these joint ventures are VIEs. In addition, the Company shares power with its co-managing members over these entities, and therefore the entities are not consolidated. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for their share of equity in earnings, cash contributions and distributions. None of the joint venture debt is recourse to the Company, subject to standard carve-outs.

The Company reviews on a quarterly basis its investments in unconsolidated joint ventures for other-than-temporary losses in investment value. Any decline that is not expected to be recovered based on the underlying assets of the investment is considered other than temporary and an impairment charge is recorded as a reduction in the carrying value of the investment. During the three and nine months ended September 30, 2023 and 2022, there were no such other-than-temporary impairment charges related to the Company's investments in unconsolidated joint ventures.

The Company has elected to follow the cumulative earnings approach when assessing, for the consolidated statement of cash flows, whether the distribution from the investee is a return of the investor's investment as compared to a return on its investment. The source of the cash generated by the investee to fund the distribution is not a factor in the analysis (that is, it does not matter whether the cash was generated through investee refinancing, sale of assets or operating results). Consequently, the investor only considers the relationship between the cash received from the investee to its equity in the undistributed earnings of the investee, on a cumulative basis, in assessing whether the distribution from the investee is a return on or a return of its investment. Cash received from the unconsolidated entity is presumed to be a return on the investment to the extent that, on a cumulative basis, distributions received by the investor are less than its share of the equity in the undistributed earnings of the entity.

**NOTE 3 – LEASES**

***Lessor Accounting***

The Company owns rental properties which are leased to tenants under operating leases with current expirations ranging from 2023 to 2055, with options to extend or terminate the lease. Revenues from such leases are reported as Rental income, net, and are comprised of (i) lease components, which includes fixed and variable lease payments and (ii) non-lease components which includes reimbursements of property level operating expenses. The Company does not separate non-lease components from the related lease components, as the timing and pattern of transfer are the same, and account for the combined component in accordance with ASC 842.

Fixed lease revenues represent the base rent that each tenant is required to pay in accordance with the terms of their respective leases, and any lease incentives paid or payable to the lessee, reported on a straight-line basis over the non-cancelable term of the lease. Variable lease revenues typically include payments based on (i) tenant reimbursements, (ii) changes in the index or market-based indices after the inception of the lease, (iii) percentage rents and (iv) the operating performance of the property. Variable lease revenues are not recognized until the specific events that trigger the variable payments have occurred.

The components of lease revenues are as follows (amounts in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Fixed lease revenues | $ 18,872 | $ 18,339 | $ 57,159 | $ 55,085 |
| Variable lease revenues | 3,431 | 2,914 | 10,048 | 8,774 |
| Lease revenues (a) | $ 22,303 | $ 21,253 | $ 67,207 | $ 63,859 |

(a) Excludes $243 and $698 of amortization related to lease intangible assets and liabilities for the three and nine months ended September 30, 2023, respectively, and $220 and $617 for the three and nine months ended September 30, 2022, respectively.

In many of the Company's leases, the tenant is obligated to pay the real estate taxes, insurance, and certain other expenses directly to the vendor. These obligations, which have been assumed by the tenants, are not reflected in our consolidated financial statements. To the extent any such tenant defaults on its lease or if it is deemed probable that the tenant will fail to pay for such obligations, a liability for such obligations would be recorded.

On a quarterly basis, the Company assesses the collectability of substantially all lease payments due by reviewing the tenant's payment history or financial condition. Changes to collectability are recognized as a current period adjustment to rental revenue. As of September 30, 2023, the Company has assessed the collectability of all recorded lease revenues as probable.

During the nine months ended September 30, 2023, the Company wrote-off, as a reduction to rental income, net, $133,000 of unbilled rent receivable related to its tenant, Bed Bath & Beyond at its Kennesaw, Georgia property, as the tenant filed for Chapter 11 bankruptcy protection and rejected its lease in April 2023.

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**SEPTEMBER 30, 2023 (CONTINUED)**

**NOTE 3 – LEASES (CONTINUED)**

*Minimum Future Rents*

As of September 30, 2023, the minimum future contractual rents to be received on non-cancellable operating leases are included in the table below (amounts in thousands). The minimum future contractual rents do not include (i) straight-line rent or amortization of lease intangibles or incentives and (ii) variable lease payments as described above.

| | |
|---|---|
| From October 1 – December 31, 2023 | $ 18,195 |
| For the year ending December 31, | |
| 2024 | 69,767 |
| 2025 | 65,185 |
| 2026 | 61,088 |
| 2027 | 52,581 |
| 2028 | 41,900 |
| Thereafter | 133,228 |
| Total | $ 441,944 |

***Lessee Accounting***

*Ground Lease*

The Company is a lessee under a ground lease in Greensboro, North Carolina, which is classified as an operating lease. The ground lease expires March 3, 2025 and provides for up to four, 5-year renewal options and one seven-month renewal option. As of September 30, 2023, the remaining lease term, including a five-year renewal option deemed exercised, is 6.4 years. The Company recognized lease expense related to this ground lease of $122,000 and $422,000 for the three and nine months ended September 30, 2023, respectively, and $150,000 and $449,000 for the three and nine months ended September 30, 2022, respectively, which is included in Real estate expenses on the consolidated statements of income.

*Office Lease*

The Company is a lessee under a corporate office lease in Great Neck, New York, which is classified as an operating lease. The lease expires on December 31, 2031 and provides for a five-year renewal option. As of September 30, 2023, the remaining lease term, including the renewal option deemed exercised, is 13.3 years. The Company recognized lease expense related to this office lease of $14,000 and $42,000 for each of the three and nine months ended September 30, 2023 and 2022, respectively, which is included in General and administrative expenses on the consolidated statements of income.

*Minimum Future Lease Payments*

As of September 30, 2023, the minimum future lease payments related to these operating leases are as follows (amounts in thousands):

| | |
|---|---|
| From October 1 – December 31, 2023 | $ 127 |
| For the year ending December 31, | |
| 2024 | 557 |
| 2025 | 626 |
| 2026 | 627 |
| 2027 | 629 |
| 2028 | 630 |
| Thereafter | 1,229 |
| Total undiscounted cash flows | $ 4,425 |
| Present value discount | (1,039) |
| Lease liability | $ 3,386 |

The lease liability is included in other liabilities on the consolidated balance sheet.

## NOTE 4 – REAL ESTATE ACQUISITIONS

The following table details the Company's real estate acquisitions during the nine months ended September 30, 2023 and the year ended December 31, 2022 (amounts in thousands):

| Description of Industrial Property | Date Acquired | Contract Purchase Price | Terms of Payment | Capitalized Transaction Costs |
|---|---|---|---|---|
| Multi-tenant | | | | |
| Blythewood, South Carolina | July 13, 2023 | $ 13,400 | Cash and $4,280 mortgage (a) | $ 109 |
| TOTAL - Nine months ended September 30, 2023 | | $ 13,400 | | $ 109 |
| | | | | |
| Conditioned Air Company of Naples LLC | | | | |
| Fort Myers, Florida | January 5, 2022 | $ 8,100 | All cash (b) | $ 66 |
| Q.E.P. Co., Inc. | | | | |
| Dalton, Georgia | May 12, 2022 | 17,000 | All cash (b) | 330 |
| Multi-tenant | | | | |
| Hillside, Illinois | May 16, 2022 | 5,770 | All cash | 112 |
| Curaleaf, Inc. | | | | |
| Lexington, Kentucky | June 17, 2022 | 8,430 | Cash and $5,480 mortgage (c) | 80 |
| Multi-tenant | | | | |
| Northwood, Ohio | November 15, 2022 | 8,629 | Cash and $6,034 mortgage (d) | 87 |
| Multi-tenant | | | | |
| Northwood, Ohio | November 15, 2022 | 8,561 | Cash and $6,034 mortgage (d) | 86 |
| TOTAL - Year ended December 31, 2022 | | $ 56,490 | | $ 761 |

(a) Simultaneously with the acquisition of this property, the Company assumed a $4,280 mortgage, bearing an interest rate of 4.60% and maturing in 2029.

(b) Subsequent to the acquisitions of the Fort Myers, Florida and Dalton, Georgia properties, the Company obtained new mortgage debt of $4,860 and $10,000, bearing interest rates of 3.09% and 3.50% and maturing in 2031 and 2032, respectively.

(c) Simultaneously with the acquisition of this property, the Company obtained new mortgage debt of $5,480, bearing an interest rate of 3.85% and maturing in 2047.

(d) Simultaneously with the acquisition of these properties, the Company assumed a $6,034 mortgage encumbering both properties, bearing an interest rate of 3.57% and maturing in 2030.

The following table details the allocation of the purchase price of the real estate acquired during the nine months ended September 30, 2023 (amounts in thousands):

| Description of Property | Land | Building & Improvements | Intangible Lease Asset | Intangible Lease Liability | Mortgage Intangible | Total |
|---|---|---|---|---|---|---|
| Multi-tenant | | | | | | |
| Blythewood, South Carolina | $ 311 | $ 12,304 | $ 871 | $ (237) | $ 260 | $ 13,509 |
| TOTAL - Nine months ended September 30, 2023 | $ 311 | $ 12,304 | $ 871 | $ (237) | $ 260 | $ 13,509 |

**NOTE 5 – SALES OF PROPERTIES**

The following table details the Company's sales of real estate during the nine months ended September 30, 2023 and 2022 (amounts in thousands):

| Description of Property | Date Sold | Gross Sales Price | Gain on Sale of Real Estate, Net | |
|---|---|---|---|---|
| TGI Fridays restaurant | | | | |
| Hauppauge, New York | February 28, 2023 | $ 4,200 | $ 1,534 | |
| Havertys retail property | | | | |
| Duluth, Georgia | May 31, 2023 | 6,000 | 3,180 | |
| TGI Fridays restaurant | | | | |
| Greensboro, North Carolina | September 20, 2023 | 3,250 | 332 | |
| TOTAL - Nine months ended September 30, 2023 | | $ 13,450 | $ 5,046 | (a) |
| | | | | |
| Wendy's restaurants - 4 properties | | | | |
| Various cities, Pennsylvania | March 22, 2022 | $ 10,000 | $ 4,649 | |
| Orlando Baking industrial property | | | | |
| Columbus, Ohio | May 2, 2022 | 8,500 | 6,925 | |
| Havertys retail property | | | | |
| Fayetteville, Georgia (b) | June 17, 2022 | 4,800 | 1,125 | |
| Vacant retail property | | | | |
| Columbus, Ohio | August 8, 2022 | 8,300 | 4,063 | |
| TOTAL - Nine months ended September 30, 2022 | | $ 31,600 | $ 16,762 | (c) |

(a) As a result of these sales, the Company wrote-off, as a reduction to Gain on sale of real estate, net, an aggregate of $190 of other assets and receivables and $123 of unbilled rent receivable.

(b) In connection with this sale, the Company paid off the $1,563 mortgage.

(c) As a result of these sales, the Company wrote-off, as a reduction to Gain on sale of real estate, net, an aggregate of $519 of unbilled rent receivable and $4 of net unamortized intangible lease liabilities and assets.

From August 2023 through October 2023, the Company entered into contracts to sell one restaurant and two retail properties for an aggregate sales price of approximately $13,800,000. The buyers' rights to terminate the contracts without penalty expires by early November 2023. The Company anticipates recognizing an aggregate gain on sale of real estate, net, of approximately $6,000,000 to $7,000,000 on the consolidated statement of income during the three months ending December 31, 2023.

**NOTE 6 – VARIABLE INTEREST ENTITIES, CONTINGENT LIABILITY AND CONSOLIDATED JOINT VENTURES**

***Variable Interest Entity – Ground Lease***

The Company determined it has a variable interest through its ground lease at its Beachwood, Ohio property (the "Vue Apartments") and the owner/operator is a VIE because its equity investment at risk is insufficient to finance its activities without additional subordinated financial support. The Company further determined that it is not the primary beneficiary of this VIE because the Company does not have power over the activities that most significantly impact the owner/operator's economic performance and therefore, does not consolidate this VIE for financial statement purposes. Accordingly, the Company accounts for this investment as land and the revenues from the ground lease as Rental income, net. The ground lease provides for rent which can be deferred and paid based on the operating performance of the property; therefore, this rent is recognized as rental income when the operating performance is achieved and the rent is received. No ground lease rental income has been collected since October 2020 other than the proceeds from the settlement of the Proceedings (as defined below).

As of September 30, 2023, the VIE's maximum exposure to loss was $17,012,000 which represented the carrying amount of the land. In purchasing the property in 2016, the owner/operator obtained a mortgage for $67,444,000 from a third party which, together with the Company's purchase of the land, provided substantially all of the funds to acquire the multi-family property. The Company provided its land as collateral for the owner/operator's mortgage loan; accordingly, the land position is subordinated to the mortgage. The mortgage balance was $63,887,000 as of September 30, 2023.

Pursuant to the ground lease, as amended in November 2020, the Company agreed, in its discretion, to fund 78% of (i) any operating expense shortfalls at the property and (ii) any capital expenditures required at the property. The Company funded $697,000 during the year ended December 31, 2022 and $668,000 during the nine months ended September 30, 2023. These amounts are included as part of the carrying amount of the land.

The Company's ground lease tenant was a plaintiff/claimant in various legal proceedings (the "Proceedings") against, among others, the developer of such apartment complex alleging, among other things, that the buildings' construction was flawed. The Proceedings were settled in the quarter ended December 31, 2022 and although the Company was not a party to the Proceedings, pursuant to the lease with the tenant, the Company received $4,642,000 from the settlement. At December 31, 2022, $4,626,000 of such sum was accrued as rental income, net on the consolidated statement of income and as other receivables on the consolidated balance sheet.

***Variable Interest Entities – Consolidated Joint Ventures***

The Company has determined the three consolidated joint ventures in which it holds between a 90% to 95% interest are VIEs because the non-controlling interests do not hold substantive kick-out or participating rights. The Company has determined it is the primary beneficiary of these VIEs as it has the power to direct the activities that most significantly impact each joint venture's performance including management, approval of expenditures, and the obligation to absorb the losses or rights to receive benefits. Accordingly, the Company consolidates the operations of these VIEs for financial statement purposes. The VIEs' creditors do not have recourse to the assets of the Company other than those held by the applicable joint venture.

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**SEPTEMBER 30, 2023 (CONTINUED)**

**NOTE 6 – VARIABLE INTEREST ENTITIES, CONTINGENT LIABILITY AND CONSOLIDATED JOINT VENTURES (CONTINUED)**

The following is a summary of the consolidated VIEs' carrying amounts and classification in the Company's consolidated balance sheets, none of which are restricted (amounts in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Land | $ 10,365 | $ 10,365 |
| Buildings and improvements, net of accumulated depreciation of $6,235 and $5,670, respectively | 17,929 | 17,870 |
| Cash | 829 | 1,163 |
| Unbilled rent receivable | 1,059 | 1,111 |
| Unamortized intangible lease assets, net | 419 | 472 |
| Escrow, deposits and other assets and receivables | 856 | 772 |
| Mortgages payable, net of unamortized deferred financing costs of $120 and $152, respectively | 17,960 | 18,500 |
| Accrued expenses and other liabilities | 650 | 711 |
| Unamortized intangible lease liabilities, net | 392 | 424 |
| Accumulated other comprehensive income | 9 | 22 |
| Non-controlling interests in consolidated joint ventures | 1,010 | 972 |

As of September 30, 2023 and December 31, 2022, MCB Real Estate, LLC and its affiliates ("MCB") are the Company's joint venture partner in two consolidated joint ventures in which the Company has aggregate equity investments of approximately $4,475,000 and $4,563,000, respectively.

Distributions to each joint venture partner are determined pursuant to the applicable operating agreement and, in the event of a sale of, or refinancing of the mortgage encumbering, the property owned by such venture, the distributions to the Company may be less than that implied by the Company's equity ownership interest in the venture.

**NOTE 7 – INVESTMENT IN UNCONSOLIDATED JOINT VENTURES**

As of September 30, 2023 and December 31, 2022, the Company participated in three unconsolidated joint ventures, each of which owns and operates one property; the Company's equity investment in these ventures totaled $9,607,000 and $10,400,000, respectively. The Company recorded equity in loss of $905,000 and $761,000 for the three and nine months ended September 30, 2023, respectively, and equity in earnings of $82,000 and $310,000 for the three and nine months ended September 30, 2022, respectively. Included in equity in loss for the three and nine months ended September 30, 2023 is an impairment charge of $850,000 related to our Manahawkin, New Jersey joint venture property (see discussion below).

As of September 30, 2023 and December 31, 2022, MCB and the Company are partners in an unconsolidated joint venture in which the Company's equity investment is approximately $8,042,000 and $8,963,000, respectively.

*Impairment and Sale of Manahawkin, New Jersey Property*

On September 8, 2023, the Company and its joint venture partner entered into a contract to sell its joint venture property located in Manahawkin, New Jersey for $36,500,000. As a result, the joint venture recorded an impairment charge of $1,699,000, of which the Company's 50% share was $850,000 and is recorded within Equity in loss from unconsolidated joint ventures on the consolidated statements of income for the three and nine months ended September 30, 2023. The Company anticipates the property will be sold during the three months ending December 31, 2023.

**NOTE 8 – DEBT OBLIGATIONS**

***Mortgages Payable***

The following table details the Mortgages payable, net, balances per the consolidated balance sheets (amounts in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Mortgages payable, gross | $ 420,886 | $ 409,175 |
| Unamortized deferred financing costs | (3,321) | (3,355) |
| Unamortized mortgage intangible assets (a) | (838) | (658) |
| Mortgages payable, net | $ 416,727 | $ 405,162 |

(a) In connection with the assumption of below-market mortgages upon the acquisition of the Northwood, Ohio and Blythewood, South Carolina properties (see Note 4).

The following table sets forth, as of September 30, 2023, scheduled principal repayments with respect to the Company's mortgage debt during the three months ending December 31, 2023 and for each of the subsequent twelve months through maturity (amounts in thousands):

| | 2023 | 2024 | 2025 | 2026 | 2027 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Amortization payments | $ 3,150 | $ 11,732 | $ 10,449 | $ 10,348 | $ 9,241 | $ 41,844 | $ 86,764 |
| Principal due at maturity | 6,238 | 50,695 | 32,063 | 19,179 | 38,524 | 187,423 | 334,122 |
| Total | $ 9,388 | $ 62,427 | $ 42,512 | $ 29,527 | $ 47,765 | $ 229,267 | $ 420,886 |

***Line of Credit***

The Company's credit facility with Manufacturers and Traders Trust Company and VNB New York, LLC, provides that it may borrow up to $100,000,000, subject to borrowing base requirements. The facility is available for the acquisition of commercial real estate, repayment of mortgage debt, and renovation and operating expense purposes; provided, that if used for renovation and operating expense purposes, the amount outstanding for such purposes will not exceed the lesser of $40,000,000 and 40% of the borrowing base. Net proceeds received from the sale, financing or refinancing of properties are generally required to be used to repay amounts outstanding under the credit facility. The facility is guaranteed by subsidiaries of the Company that own unencumbered properties and the Company is required to pledge to the lenders the equity interests in such subsidiaries.

The facility, which matures December 31, 2026, provides for an interest rate equal to 30-day SOFR plus an applicable margin ranging from 175 basis points to 275 basis points depending on the ratio of the Company's total debt to total value, as determined pursuant to the facility. The applicable margin was 175 basis points at September 30, 2023 and 2022. An unused facility fee of .25% per annum applies to the facility. The weighted average interest rate on the facility was approximately 6.60% and 2.74% for the nine months ended September 30, 2023 and 2022, respectively. The Company was in compliance with all covenants at September 30, 2023.

The following table details the Line of credit, net, balances per the consolidated balance sheets (amounts in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Line of credit, gross | $ 12,500 | $ 21,800 |
| Unamortized deferred financing costs | (594) | (732) |
| Line of credit, net | $ 11,906 | $ 21,068 |

At September 30, 2023 and November 1, 2023, $87,500,000 and $77,500,000, respectively, was available to be borrowed under the facility, including an aggregate of up to $36,000,000 and $26,000,000, respectively, available for renovation and operating expense purposes.

## NOTE 9 – RELATED PARTY TRANSACTIONS

***Compensation and Services Agreement***

Pursuant to the compensation and services agreement with Majestic Property Management Corp. ("Majestic"), Majestic provides the Company with certain (i) executive, administrative, legal, accounting, clerical, property management, property acquisition, consulting (*i.e*., sale, leasing, brokerage, and mortgage financing), and construction supervisory services (collectively, the "Services") and (ii) facilities and other resources. Majestic is wholly-owned by the Company's vice- chairman and it provides compensation to several of the Company's executive officers.

In consideration for the Services, the Company paid Majestic $812,000 and $2,501,000 for the three and nine months ended September 30, 2023, respectively, and $763,000 and $2,289,000 for the three and nine months ended September 30, 2022, respectively. Included in these amounts are fees for property management services of $360,000 and $1,146,000 for the three and nine months ended September 30, 2023, respectively, and $333,000 and $999,000 for the three and nine months ended September 30, 2022, respectively. The amounts paid for property management services are based on 1.5% and 2.0% of the rental payments (including tenant reimbursements) actually received by the Company from net lease tenants and operating lease tenants, respectively. The Company does not pay Majestic with respect to properties managed by third parties. The Company also paid Majestic, pursuant to the compensation and services agreement, $79,000 and $238,000 for the three and nine months ended September 30, 2023 and 2022, respectively, for the Company's share of all direct office expenses, including rent, telephone, postage, computer services, internet usage and supplies.

Executive officers and others providing services to the Company under the compensation and services agreement were awarded shares of restricted stock and restricted stock units ("RSUs") under the Company's stock incentive plans (described in Note 11). The related expense charged to the Company's operations was $594,000 and $1,879,000 for the three and nine months ended September 30, 2023, respectively, and $640,000 and $1,927,000 for the three and nine months ended September 30, 2022, respectively.

The amounts paid under the compensation and services agreement (except for the property management services which are included in Real estate expenses) and the costs of the stock incentive plans are included in General and administrative expense on the consolidated statements of income.

***Joint Venture Partners and Affiliates***

The Company paid an aggregate of $22,000 and $69,000 for the three and nine months ended September 30, 2023, respectively, and $19,000 and $60,000 for the three and nine months ended September 30, 2022, respectively, to its consolidated joint venture partner or their affiliates (none of whom are officers, directors, or employees of the Company) for property management services, which are included in Real estate expenses on the consolidated statements of income.

The Company's unconsolidated joint ventures paid management fees of $31,000 and $89,000 for the three and nine months ended September 30, 2023, respectively, and $32,000 and $101,000 for the three and nine months ended September 30, 2022, respectively, to the other partner of the ventures, which increased Equity in loss on the consolidated statements of income by $16,000 and $44,000 for the three and nine months ended September 30, 2023, respectively, and reduced Equity in earnings by $16,000 and $51,000 for the three and nine months ended September 30, 2022, respectively.

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**NOTE 9 – RELATED PARTY TRANSACTIONS (CONTINUED)**

***Other***

During 2023 and 2022, the Company paid quarterly fees of (i) $78,250 to the Company's chairman and (ii) $31,300 to the Company's vice-chairman. These fees are included in General and administrative expenses on the consolidated statements of income.

The Company obtains its property insurance in conjunction with Gould Investors L.P. ("Gould Investors"), a related party, and reimburses Gould Investors annually for the Company's insurance cost relating to its properties. Amounts reimbursed to Gould Investors were $1,093,000 during the three and nine months ended September 30, 2023 and $586,000 during the three and nine months ended September 30, 2022. Included in Real estate expenses on the consolidated statements of income is insurance expense of $363,000 and $613,000 for the three and nine months ended September 30, 2023, respectively, and $187,000 and $793,000 for the three and nine months ended September 30, 2022, respectively, of amounts reimbursed to Gould Investors in prior periods. The balance of amounts reimbursed to Gould Investors represents prepaid insurance and is included in Other Assets on the consolidated balance sheets.

**NOTE 10 – EARNINGS PER COMMON SHARE**

Basic earnings per share was determined by dividing net income allocable to common stockholders for each period by the weighted average number of shares of common stock outstanding during the applicable period. Net income is also allocated to the unvested restricted stock outstanding during each period, as the restricted stock is entitled to receive dividends and is therefore considered a participating security. As of September 30, 2023, the shares of common stock underlying the RSUs (see Note 11) are excluded from the basic earnings per share calculation, as these units are not participating securities until they vest and are issued.

Diluted earnings per share reflects the potential dilution that could occur if securities or other rights exercisable for, or convertible into, common stock were exercised or converted or otherwise resulted in the issuance of common stock that shared in the earnings of the Company.

The following table provides a reconciliation of the numerator and denominator of earnings per share calculations (amounts in thousands, except per share amounts):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Numerator for basic and diluted earnings per share: | | | | |
| Net income | $ 2,769 | $ 7,221 | $ 14,716 | $ 33,346 |
| Deduct net income attributable to non-controlling interests | (22) | (17) | (64) | (52) |
| Deduct earnings allocated to unvested restricted stock (a) | (321) | (320) | (971) | (1,134) |
| Net income available for common stockholders: basic and diluted | $ 2,426 | $ 6,884 | $ 13,681 | $ 32,160 |
| Denominator for basic earnings per share: | | | | |
| Weighted average number of common shares outstanding | 20,567 | 20,340 | 20,552 | 20,361 |
| Effect of dilutive securities: RSUs | 29 | 76 | 46 | 111 |
| Denominator for diluted earnings per share: | | | | |
| Weighted average number of shares | 20,596 | 20,416 | 20,598 | 20,472 |
| | | | | |
| Earnings per common share, basic | $ .12 | $ .34 | $ .67 | $ 1.58 |
| Earnings per common share, diluted | $ .12 | $ .34 | $ .66 | $ 1.57 |

(a) Represents an allocation of distributed earnings to unvested restricted stock that, as participating securities, are entitled to receive dividends.

**ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**SEPTEMBER 30, 2023 (CONTINUED)**

**NOTE 10 – EARNINGS PER COMMON SHARE (CONTINUED)**

The following table identifies the number of shares of common stock underlying the RSUs that are included in the calculation, on a diluted basis, of the weighted average number of shares of common stock for such periods:

**Three and Nine Months Ended September 30, 2023:**

| Date of Award | Total Number of Underlying Shares | Shares Included Based on (a) Return on Capital Metric | Shares Included Based on (a) Stockholder Return Metric | Total | Shares Excluded (b) |
|---|---|---|---|---|---|
| July 1, 2023 (c) | 85,250 | 23,839 | — | 23,839 | 61,411 |
| July 1, 2022 (c) | 85,350 | 35,344 | — | 35,344 | 50,006 |
| August 3, 2021 (c) | 80,700 | 39,811 | — | 39,811 | 40,889 |
| Totals | 251,300 | 98,994 | — | 98,994 | 152,306 |

**Three and Nine Months Ended September 30, 2022:**

| Date of Award | Total Number of Underlying Shares | Shares Included Based on (a) Return on Capital Metric | Shares Included Based on (a) Stockholder Return Metric | Total | Shares Excluded (b) |
|---|---|---|---|---|---|
| July 1, 2022 (c) | 85,350 | 20,210 | — | 20,210 | 65,140 |
| August 3, 2021 (c) | 80,700 | 40,350 | — | 40,350 | 40,350 |
| August 3, 2020 (d) | 75,026 | 37,513 | 37,513 | 75,026 | — |
| Totals | 241,076 | 98,073 | 37,513 | 135,586 | 105,490 |

(a) Reflects the number of shares underlying RSUs that would be issued assuming the measurement date used to determine whether the applicable conditions are satisfied is September 30 of the applicable period.

(b) Excluded as the applicable conditions had not been met for these shares at the applicable measurement dates.

(c) The RSUs awarded in 2023, 2022 and 2021 vest, subject to satisfaction of the applicable market and/or performance conditions, as of June 30, 2026, 2025 and 2024, respectively (see Note 11).

(d) With respect to the RSUs awarded August 3, 2020, 74,988 shares were deemed to have vested and the balance of 38 shares were forfeited in June 2023. The 74,988 vested shares were issued in August 2023 (see Note 11).

**NOTE 11 – STOCKHOLDERS' EQUITY**

***Stock Based Compensation***

The Company's 2022, 2019 and 2016 Incentive Plans (collectively, the "Plans"), permit the Company to grant, among other things, stock options, restricted stock, RSUs, performance share awards and dividend equivalent rights and any one or more of the foregoing to its employees, officers, directors and consultants. A maximum of 750,000 shares of the Company's common stock was authorized for issuance pursuant to each plan at such plan's inception.

The following details the shares subject to awards that are outstanding under the Plans as of September 30, 2023:

| | **2022** Incentive Plan | **2019** Incentive Plan (a) | **2016** Incentive Plan (a) |
|---|---|---|---|
| Restricted stock | 149,335 | 426,675 | 136,650 |
| RSUs | 170,600 | 80,700 | — |
| Totals | 319,935 | 507,375 | 136,650 |

(a) No additional awards may be granted under such plan.

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**SEPTEMBER 30, 2023 (CONTINUED)**

**NOTE 11 – STOCKHOLDERS' EQUITY (CONTINUED)**

For accounting purposes, the restricted stock is not included in the shares shown as outstanding on the balance sheet until they vest; however, dividends are paid on the unvested shares. The restricted stock grants are charged to General and administrative expense over the respective vesting periods based on the market value of the common stock on the grant date. Unless earlier forfeited because the participant's relationship with the Company terminated, unvested restricted stock awards vest five years from the grant date, and under certain circumstances may vest earlier.

The following table reflects the activities involving RSUs during the indicated years:

| | 2023 (a) | 2022 | 2021 | 2020 | |
|---|---|---|---|---|---|
| RSUs granted (b) | 85,250 | 85,350 | 80,700 | 75,026 | |
| RSUs vested | — | — | — | 74,988 | (c) |
| RSUs forfeited | — | — | — | 38 | (d) |
| RSUs outstanding | 85,250 | 85,350 | 80,700 | — | |
| Vesting Date (e) (f) | 6/30/2026 | 6/30/2025 | 6/30/2024 | 6/30/2023 | |

(a) These shares were granted in July 2023.

(b) The shares underlying the RSUs are excluded from the shares shown as outstanding on the balance sheet until they have vested and been issued.

(c) Such shares were issued in August 2023.

(d) Such shares were forfeited due to the retirement of a plan participant prior to the end of the performance period.

(e) Generally, the recipient must maintain a relationship with the Company during the applicable three-year performance cycle.

(f) RSUs vest upon satisfaction of metrics related to average annual total stockholder return ("TSR Metric") and average annual return on capital ("ROC Metric"; together with the TSR Metric, the "Metrics") and are issued to the extent the Compensation Committee determines that the Metrics with respect to the vesting of such shares have been satisfied.

The specific metrics and other material terms and conditions of the RSUs are as follows:

| | | | Performance Criteria (a) | |
|---|---|---|---|---|
| **Year RSU Granted** | **Metric** | **Weight** | **Minimum** | **Maximum** |
| 2020 (b) | ROC Metric (c) | 50% | Average annual of at least 7.0% | Average annual of at least 9.75% |
| | TSR Metric (d) | 50% | Average annual of at least 7.0% | Average annual of at least 12.0% |
| 2021 - 2023 (e) (f) | ROC Metric (c) | 50% | Average annual of at least 6.0% | Average annual of at least 8.75% |
| | TSR Metric (d) | 50% | Average annual of at least 6.0% | Average annual of at least 11.0% |

(a) If the average annual ROC or TSR falls between the applicable minimum and maximum performance criteria, a pro-rata portion of such units, as applicable, vest.

(b) Such RSUs are not entitled to voting or dividend rights.

(c) The ROC Metrics meet the definition of a performance condition. Fair value is based on the market value on the date of grant. For ROC Awards, the Company does not recognize expense when performance conditions are not expected to be met; such performance assumptions are re-evaluated quarterly.

(d) The TSR Metrics meet the definition of a market condition. A third-party appraiser prepares a Monte Carlo simulation pricing model to determine the fair value of such awards, which is recognized ratably over the three-year service period. For the 2023 TSR awards, the per unit or share fair value was estimated using the following assumptions: an expected life of three years, a dividend rate of 8.72%, a risk-free interest rate of 4.42% - 5.28% and an expected volatility of 28.69% - 30.05%.

(e) Such RSUs are (i) not entitled to voting rights and (ii) upon vesting, the holders receive an amount equal to the dividends that would have been paid on the underlying shares had such shares been outstanding during the three-year performance cycle.

(f) As of September 30, 2023 and December 31, 2022, the Company accrued an aggregate of $385,000 and $210,000 of dividend equivalents, respectively, for the 2023, 2022 and 2021 RSUs based on the number of shares that would have been issued, underlying such RSUs, using performance and market assumptions determined at such dates.

**NOTE 11 – STOCKHOLDERS' EQUITY (CONTINUED)**

As of September 30, 2023, based on performance and market assumptions, the fair value of the RSUs granted in 2023, 2022 and 2021 is $979,000, $1,400,000 and $1,822,000, respectively. Recognition of such deferred compensation will be charged to General and administrative expense over the respective three-year performance cycles.

The following is a summary of the activity of the Plans:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *Restricted stock grants:* | | | | |
| Number of shares | — | — | 152,955 | 153,575 |
| Average per share grant price | $ — | $ — | $ 22.09 | $ 33.75 |
| Deferred compensation to be recognized over vesting period | $ — | $ — | $ 3,379,000 | $ 5,183,000 |
| | | | | |
| Number of non-vested shares: | | | | |
| Non-vested beginning of the period | 712,920 | 712,375 | 712,375 | 706,450 |
| Grants | — | — | 152,955 | 153,575 |
| Vested during the period | — | — | (152,300) | (146,900) |
| Forfeitures | (260) | — | (370) | (750) |
| Non-vested end of the period | 712,660 | 712,375 | 712,660 | 712,375 |
| | | | | |
| *RSU grants:* | | | | |
| Number of underlying shares | 85,250 | 85,350 | 85,250 | 85,350 |
| Average per share grant price | $ 20.32 | $ 26.44 | $ 20.32 | $ 26.44 |
| Deferred compensation to be recognized over vesting period | $ 979,000 | $ 1,352,000 | $ 979,000 | $ 1,352,000 |
| | | | | |
| Number of non-vested shares: | | | | |
| Non-vested beginning of the period | 166,050 | 155,726 | 241,076 | 230,752 |
| Grants | 85,250 | 85,350 | 85,250 | 85,350 |
| Vested during the period | — | — | (74,988) | (64,488) |
| Forfeitures | — | — | (38) | (10,538) |
| Non-vested end of the period | 251,300 | 241,076 | 251,300 | 241,076 |
| | | | | |
| *Restricted stock and RSU grants (based on grant price):* | | | | |
| Weighted average per share value of non-vested shares | $ 25.91 | $ 26.26 | $ 25.91 | $ 26.26 |
| Value of stock vested during the period | $ — | $ — | $ 5,165,000 | $ 5,535,000 |
| Weighted average per share value of shares forfeited during the period | $ 25.85 | $ — | $ 25.47 | $ 29.12 |
| | | | | |
| *Total charge to operations:* | | | | |
| Outstanding restricted stock grants | $ 923,000 | $ 951,000 | $ 3,051,000 | $ 3,106,000 |
| Outstanding RSUs | 288,000 | 355,000 | 1,052,000 | 1,084,000 |
| Total charge to operations | $ 1,211,000 | $ 1,306,000 | $ 4,103,000 | $ 4,190,000 |

As of September 30, 2023, total compensation costs of $8,557,000 and $2,184,000 related to non-vested restricted stock awards and RSUs, respectively, have not yet been recognized. These compensation costs will be charged to General and administrative expense over the remaining respective vesting periods. The weighted average remaining vesting period is 2.3 years for the restricted stock and 1.8 years for the RSUs. The Company recognizes the effect of forfeitures on restricted stock awards and RSUs when they occur, and previously recognized compensation expense is reversed in the period the grant or unit is forfeited.

**NOTE 11 – STOCKHOLDERS' EQUITY (CONTINUED)**

***Common Stock Dividend***

On September 20, 2023, the Board of Directors declared a quarterly cash dividend of $0.45 per share on the Company's common stock, totaling approximately $9,505,000, payable to stockholders of record at the close of business on October 3, 2023. The quarterly dividend was paid on October 11, 2023; $8,072,000 was paid in cash and the balance of such dividend payment was satisfied through the issuance of 78,000 shares under the Company's dividend reinvestment plan.

***Dividend Reinvestment Plan***

The Company's Dividend Reinvestment Plan (the "DRP"), among other things, provides stockholders with the opportunity to reinvest all or a portion of their cash dividends paid on the Company's common stock in additional shares of its common stock, at a discount, determined in the Company's sole discretion, of up to 5% from the market price (as such price is calculated pursuant to the DRP). The discount is currently being offered at 3%. Under the DRP, the Company issued approximately 56,000 and 155,000 shares of common stock during the three and nine months ended September 30, 2023, respectively, and 40,000 and 51,000 shares of common stock during the three and nine months ended September 30, 2022, respectively.

***Stock Repurchase Program***

Pursuant to a stock repurchase plan entered into in 2022, as amended (the "2022 Repurchase Plan"), the Board of Directors authorized the repurchase of up to $7,720,000 of shares of the Company's common stock in open-market, through privately negotiated transactions or otherwise. During the three and nine months ended September 30, 2023, the Company repurchased approximately 262,000 and 335,000 shares of common stock, for $5,144,000 and $6,599,000, net of commissions of $16,000 and $20,000, respectively. During the three and nine months ended September 30, 2022, the Company repurchased approximately 75,000 and 208,000 shares of common stock, for $1,822,000 and $5,214,000, net of commissions of $5,000 and $12,000, respectively. In October 2023, the Company repurchased, pursuant to the 2022 Repurchase Plan, approximately 62,000 shares of common stock, for $1,122,000, net of commissions of $4,000. No more shares may be repurchased pursuant to the 2022 Repurchase Plan.

In October 2023, the Board of Directors approved a new share repurchase plan (the "2023 Repurchase Plan") authorizing the repurchase of up to $10,000,000 of shares of the Company's common stock in open-market, through privately negotiated transactions or otherwise. In October 2023, pursuant to the 2023 Repurchase Plan, the Company repurchased approximately 71,000 shares of common stock, for $1,345,000, net of commissions of $4,000. After giving effect to such repurchases, the Company is authorized to repurchase approximately $8,655,000 of shares of common stock pursuant to the 2023 Repurchase Plan.

**NOTE 12 – FAIR VALUE MEASUREMENTS**

The Company measures the fair value of financial instruments based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. In accordance with the fair value hierarchy, Level 1 assets/liabilities are valued based on quoted prices for identical instruments in active markets, Level 2 assets/liabilities are valued based on quoted prices in active markets for similar instruments, on quoted prices in less active or inactive markets, or on other "observable" market inputs and Level 3 assets/liabilities are valued based significantly on "unobservable" market inputs.

The carrying amounts of cash and cash equivalents, escrow, deposits and other assets and receivables, dividends payable, and accrued expenses and other liabilities (excluding interest rate swaps), are not measured at fair value on a recurring basis but are considered to be recorded at amounts that approximate fair value.

**NOTE 12 – FAIR VALUE MEASUREMENTS (CONTINUED)**

The fair value and carrying amounts of the Company's mortgages payable are as follows (dollars in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Fair value of mortgages payable (a) | $ 381,284 | $ 378,943 |
| Carrying value of mortgages payable, gross | $ 420,886 | $ 409,175 |
| Fair value less than the carrying value | $ (39,602) | $ (30,232) |
| Blended market interest rate (a) | 6.67 % | 5.87 % |
| Weighted average interest rate | 4.18 % | 4.10 % |
| Weighted average remaining term to maturity (years) | 6.0 | 6.5 |

(a) Estimated using unobservable inputs such as available market information and discounted cash flow analysis based on borrowing rates the Company believes it could obtain with similar terms and maturities. These fair value measurements fall within Level 3 of the fair value hierarchy.

At September 30, 2023 and December 31, 2022, the carrying amount of the Company's line of credit (before unamortized deferred financing costs) of $12,500,000 and $21,800,000, respectively, approximates its fair value.

Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

***Fair Value on a Recurring Basis***

As of September 30, 2023, the Company had in effect 16 interest rate derivatives, all of which were interest rate swaps, related to 16 outstanding mortgage loans with an aggregate $41,054,000 notional amount maturing between 2023 and 2026 (weighted average remaining term to maturity of 1.1 years). The Company's objective in using interest rate swaps is to add stability to interest expense. These interest rate swaps, all of which were designated as cash flow hedges, converted SOFR based variable rate mortgages to fixed annual rate mortgages (with interest rates ranging from 2.97% to 4.60% and a weighted average interest rate of 3.97% at September 30, 2023). The Company does not use derivatives for trading or speculative purposes.

Fair values are approximated using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. This fair value analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. Although the Company has determined the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the associated credit valuation adjustments use Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and its counterparty. As of September 30, 2023, the Company has assessed and determined the impact of the credit valuation adjustments on the overall valuation of its derivative positions is not significant. As a result, the Company determined its derivative valuation is classified in Level 2 of the fair value hierarchy. The Company does not currently own any financial instruments that are measured on a recurring basis and that are classified as Level 1 or 3.

The fair value of the Company's derivative financial instruments was determined to be the following (amounts in thousands):

| | As of | Carrying and Fair Value | Balance Sheet Classification |
|---|---|---|---|
| *Financial assets:* Interest rate swaps | September 30, 2023 | $ 1,338 | Other assets |
| | December 31, 2022 | 1,811 | |

As of September 30, 2023 and December 31, 2022, there were no derivatives in a liability position.

## NOTE 12 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the effect of the Company's derivative financial instruments on the consolidated statements of income for the periods presented (amounts in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Amount of gain recognized on derivatives in other comprehensive income | $ 133 | $ 931 | $ 500 | $ 2,886 |
| Amount of reclassification from Accumulated other comprehensive income into Interest expense | 340 | — | 975 | (485) |

During the twelve months ending September 30, 2024, the Company estimates an additional $1,005,000 will be reclassified from Accumulated other comprehensive income as a decrease to Interest expense.

The derivative agreements in effect at September 30, 2023 provide that if the wholly-owned subsidiary of the Company which is a party to such agreement defaults or is capable of being declared in default on any of its indebtedness, then a default can be declared on such subsidiary's derivative obligation. In addition, the Company is a party to the derivative agreements and if there is a default by the subsidiary on the loan subject to the derivative agreement to which the Company is a party and if there are swap breakage losses on account of the derivative being terminated early, the Company could be held liable for such swap breakage losses.

## NOTE 13 – OTHER INCOME

***Settlement of Litigation***

During the nine months ended September 30, 2022, the Company received $5,388,000 in connection with the settlement of a lawsuit which was recognized as Income on settlement of litigation on the consolidated statement of income.

***Insurance Recovery on Hurricane Casualty***

During the nine months ended September 30, 2022, the Company recognized a gain on insurance recovery of $918,000, which is included in Other income on the consolidated statement of income, related to hurricane damage to one of its properties in 2020. No such gain was recognized during the three and nine months ended September 30, 2023.

## NOTE 14 – NEW ACCOUNTING PRONOUNCEMENT

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, which was amended in December 2022 by ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. This Topic contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. As of September 30, 2023, the Company has converted all its LIBOR-indexed debt and derivatives to SOFR-based indexes. For all derivative financial instruments designated as effective hedges, the Company utilized the elective relief in Topic 848 which allows for the continuation of hedge accounting through the transition process.

## NOTE 15 – SUBSEQUENT EVENTS

Subsequent events have been evaluated and except as disclosed herein, there were no other events relative to the consolidated financial statements that require additional disclosure.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Forward-Looking Statements

This Quarterly Report on Form 10-Q, together with other statements and information publicly disseminated by us, contain 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 and include, without limitations, statements regarding our future estimated rental income, funds from operations, adjusted funds from operations and our dividend. 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 our results of operations, financial condition, cash flows, performance or achievements.

The uncertainties, risks and factors which may cause actual results to differ materially from current expectations include, but are not limited to:

- the financial failure of, or other default in payment by, tenants under their leases and the potential resulting vacancies;
- adverse changes and disruption in the retail, restaurant, theater and health and fitness sectors, which impacts our tenants' ability to pay rent and expense reimbursement;
- loss or bankruptcy of one or more of our tenants, and bankruptcy laws that limits our remedies if a tenant becomes bankrupt and rejects its lease;
- the level and volatility of interest rates, which adversely affects our ability to acquire properties and refinance maturing mortgage debt;
- general economic and business conditions and developments, including those currently affecting or that affects our economy;
- general and local real estate conditions, including any changes in the value of our real estate;
- our ability to renew or re-lease space as leases expire;
- our ability to pay dividends;
- changes in governmental laws and regulations relating to real estate and related investments;
- compliance with credit facility and mortgage debt covenants;
- the availability of, and costs associated with, sources of capital and liquidity;
- competition in our industry;
- technological changes, such as autonomous vehicles, reconfiguration of supply chains, robotics, 3D printing or other technologies;
- natural disasters, epidemics, pandemics or outbreak of infectious disease, such as COVID-19, and other potentially catastrophic events such as acts of war and/or terrorism; and
- the other risks, uncertainties and factors described in the reports and documents we file with the SEC including the risks, uncertainties and factors described in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "Annual Report") under the caption *"Item 1A. Risk Factors"* for a discussion of certain factors which may cause actual results to differ materially from current.

In light of the factors referred to above, the future events discussed or incorporated by reference in this report and other documents we file with the SEC may not occur, and actual results, performance or achievements could differ materially from those anticipated or implied in the forward-looking statements. Given these uncertainties, you should not rely on any forward-looking statements.

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.

Challenges and Uncertainties Facing Certain Tenants and Properties

As more fully described in (i) our Annual Report, and in particular, the sections thereof entitled "*Risk Factors*" and *"Management's Discussion and Analysis of Financial Condition and Results of Operations"*, and (ii) our Quarterly Reports on Form 10-Q for the periods ended March 31, 2023 and June 30, 2023, and in particular, the sections thereof entitled *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* (the "Quarterly Reports"; and together with the Annual Report, the "Reports"), we face challenges due to the volatile economic environment, and certain of our properties and tenants (including Regal Cinemas, our Manahawkin, New Jersey property (the "Manahawkin Property"), The Vue Apartments, LA Fitness, and Party City) face various challenges. Our cash flow and profitability will be adversely impacted if the issues with respect to the challenged tenants/properties identified in the Reports (including this Quarterly Report on Form 10-Q) are not resolved in a satisfactory manner. There have been no material changes to the status of such tenants/properties from that described in our Reports except as described below:

*Manahawkin Property*

On September 8, 2023, the joint venture (the "Venture") in which we have a 50% interest and that owns a multi-tenant shopping center in Manahawkin, New Jersey entered into a contract to sell this property to an unaffiliated third-party for a sales price of approximately $36.5 million, subject to customary closing adjustments and prorations. We anticipate that the transaction will be completed in the quarter ending December 31, 2023, subject to the satisfaction of customary closing conditions (including the purchaser's right to terminate the contract without penalty if it is not satisfied with the results of its due diligence investigation with respect to environmental and title matters), and that the net proceeds to us from the sale, ranging from approximately $6.0 million to $8.0 million (after giving effect to the repayment of our $10.4 million share of mortgage debt on this property), will be used to pay down our credit facility indebtedness. We expect to recognize a nominal gain from this sale when it is completed.

In connection with entering into this contract, the Venture recorded an impairment charge of $1.7 million, of which our 50% share was $850,000, which was recorded in Equity in loss from unconsolidated joint ventures for the three and nine months ended September 30, 2023.

During the nine months ended September 30, 2023, 2022 and 2021, we recognized $(889,000), $168,000 and $(77,000) of equity in earnings (loss) from the Venture, and the results for such periods included $51,000, $81,000 and $0, respectively, of repayments from Regal Cinemas of amounts previously deferred due to the COVID-19 pandemic.

No assurance can be provided that this sale will be completed, and if it is not completed, we will be adversely impacted.

*LA Fitness*

LA Fitness leases from us three properties pursuant to three separate leases, including a 38,000 square foot health and fitness facility in Hamilton, Ohio. Effective as of October 12, 2023, we and LA Fitness amended the lease at the Hamilton, Ohio property (which lease had been scheduled to expire in November 2023), which, effective as of December 1, 2023, provides (i) that the property will be leased on a month-to-month basis with a mutual right to terminate on 90 days' notice; (ii) that we are responsible for, among other things, real estate taxes and common area maintenance expenses; and (iii) for a $30,000 monthly gross rent (compared to the monthly base rent of $66,000 paid during 2023). This property accounted, during the nine months ended September 30, 2023, for (i) $702,000 of rental income and (ii) $142,000, $144,000 and $157,000 of interest expense, real estate operating expense and depreciation and amortization expense, respectively. As a result of this lease amendment, our rental income from this property will be significantly reduced, our real estate expenses will increase, and there is uncertainty as to whether this property will generate positive cash flow.

At September 30, 2023, the unbilled rent receivable, tenant origination cost and mortgage debt with respect to this property was $7,000, $6,000 and $4.0 million, respectively. The mortgage debt is scheduled to mature in December 2023 and although we are in discussions with the lender for an extension of the maturity date, we can provide no assurance that the lender will agree to same. If the lender does not extend the maturity date and we do not have sufficient available cash, we will be adversely affected if we (i) pay off the mortgage debt with funds from our credit facility, or (ii) surrender the property to the lender.

If LA Fitness vacates this property, it may be difficult, due to the presence of another health and fitness facility located nearby, to re-lease this property to another health and fitness operator, and if we are unable to re-lease this property to such an operator, it may be costly to reconfigure the space for use other than as a fitness facility.

*NYC*

The City of New York is a tenant at a 66,000 square foot office building in Brooklyn, New York. Although the lease expired on or about October 15, 2023, we and representatives of the tenant have signed a term sheet to extend the lease through October 2028 with the tenant having the right to terminate the lease beginning October 2027 on six months' notice. The extension would be at a base annual rent of approximately $1.3 million, slightly higher than the annual rent the tenant is currently paying. The term sheet is non-binding and subject to the execution of more formal documentation which we anticipate will take several months to complete. There is no mortgage debt on the property, and the tenant is generally responsible for the expenses of operating the property. We can provide no assurance that the proposed lease will be signed, and if it is not, we will be adversely affected by the loss of rental income and the expenses associated with maintaining the property.

## Overview

We are a self-administered and self-managed real estate investment trust, or REIT. To qualify as a REIT, under the Internal Revenue Code of 1986, as amended, we must meet a number of organizational and operational requirements, including a requirement that we distribute currently at least 90% of ordinary taxable income to our stockholders. We intend to comply with these requirements and to maintain our REIT status.

We acquire, own and manage a geographically diversified portfolio consisting primarily of industrial and retail properties, and to a lesser extent, health and fitness, restaurant, theater, and other properties, many of which are subject to long-term net leases. As of September 30, 2023, we own 118 properties (including three properties owned by consolidated joint ventures and three properties owned by unconsolidated joint ventures) located in 31 states. Based on square footage, our occupancy rate at September 30, 2023 is approximately 97.5%.

We face a variety of risks and challenges in our business, including the possibility we will not be able to: acquire or dispose of properties on acceptable terms, lease our properties on terms favorable to us or at all, collect amounts owed to us by our tenants, renew or re-let, on acceptable terms, leases that are expiring or otherwise terminating.

We seek to manage the risk of our real property portfolio and the related financing arrangements by (i) diversifying among locations, tenants, scheduled lease expirations, mortgage maturities and lenders, and (ii) minimizing our exposure to interest rate fluctuations. Substantially all of our mortgage debt either bears interest at fixed rates or is subject to interest rate swaps, limiting our exposure to fluctuating interest rates on our outstanding mortgage debt.

We monitor the risk of tenant non-payments through a variety of approaches tailored to the applicable situation. Generally, based on our assessment of the credit risk posed by our tenants, we monitor a tenant's financial condition through one or more of the following actions: reviewing tenant financial statements or other financial information, obtaining other tenant related information, regular contact with tenant's representatives, tenant credit checks and regular management reviews of our tenants and their payment practices. We may sell a property if a tenant's financial condition is unsatisfactory.

In acquiring and disposing of properties, among other things, we evaluate the terms of the leases, the credit of the existing tenants, the terms and conditions of the related financing arrangement (including any contemplated financing) and engage in a fundamental analysis of the real estate to be bought or sold. This fundamental analysis takes into account, among other things, the estimated value of the property, local demographics and the ability to re-rent or dispose of the property on favorable terms upon lease expiration or early termination. In addition, in evaluating property sales, we take into account, among other things, the property type (*i.e.,* industrial, retail or other), our perception of the property's long-term prospects (including the likelihood for, and the extent of, any further appreciation or diminution in value), the term remaining on the related lease and mortgage debt, the price and other terms and conditions for the sale of such property and the returns anticipated to be generated from the reinvestment of the net proceeds to us from such property sale.

Our 2023 contractual base rent is approximately $71.0 million and represents, after giving effect to any abatements, concessions, deferrals or adjustments, the base rent payable to us during the twelve months ending September 30, 2024 under leases in effect at September 30, 2023. Included in such contractual rental income is an aggregate of $1.3 million related to five properties which we expect to sell by December 31, 2023 (see – *Contracted and Contemplated Dispositions* below*)*. Excluded from such contractual rental income is an aggregate of $4.1 million comprised of: (i) subject to the property generating specified levels of positive operating cash flow, $1.3 million of estimated variable lease payments from The Vue, a multi-family complex which ground leases the underlying land from us and as to which there is uncertainty as to when and whether the tenant will resume paying rent, (ii) $1.3 million representing our share of the base rent payable to our joint ventures (which includes $1.1 million from the Manahawkin Property), and (iii) approximately $678,000 of straight-line rent and $837,000 of amortization of lease-related intangibles.

The following table sets forth scheduled expirations of leases for our properties as of September 30, 2023 for the periods indicated below:

| Lease Expiration (1) 12 Months Ending September 30, | Number of Expiring Leases | Approximate Square Footage Subject to Expiring Leases (2) | Contractual Base Rent Under Expiring Leases | Contractual Base Rent Represented by Expiring Leases |
|---|---|---|---|---|
| 2024 | 21 | 725,328 | $ 2,452,169 | 3.5 % |
| 2025 | 16 | 869,992 | 6,306,644 | 8.9 |
| 2026 | 14 | 726,371 | 4,648,016 | 6.5 |
| 2027 | 32 | 2,030,123 | 13,341,600 | 18.8 |
| 2028 | 23 | 1,150,238 | 7,577,443 | 10.7 |
| 2029 | 13 | 1,520,909 | 8,412,622 | 11.8 |
| 2030 | 11 | 655,220 | 5,679,316 | 8.0 |
| 2031 | 10 | 1,076,905 | 6,140,851 | 8.6 |
| 2032 | 7 | 264,231 | 2,338,103 | 3.3 |
| 2033 | 16 | 944,907 | 9,433,200 | 13.3 |
| 2034 and thereafter | 10 | 881,476 | 4,662,020 | 6.6 |
| | 173 | 10,845,700 | $ 70,991,984 | 100.0 % |

(1) Lease expirations assume tenants do not exercise existing renewal or termination options.
(2) Excludes an aggregate of 132,685 square feet of vacant space.

ATM Program

In September 2023, we entered into a new at-the-market equity distribution agreement with B. Riley Securities, Inc. pursuant to which we may sell up to $50 million of shares of our common stock.

Property Transactions During the Three Months Ended September 30, 2023

On July 13, 2023, we acquired a multi-tenant industrial property located in Blythewood, South Carolina for a purchase price of $13.4 million, including the assumption of $4.3 million of mortgage debt with an interest rate of 4.60% and maturing in June 2029. This property contributed $268,000 and $251,000 to rental income and total operating expenses, respectively, in the nine months ended September 30, 2023.

On September 20, 2023, we sold a restaurant property in Greensboro, North Carolina for a gross sales price of $3.3 million and recognized a gain of $332,000 from this sale. This property contributed $180,000 and $188,000 to rental income and $29,000 and $29,000 to total operating expenses in the nine months ended September 30, 2023 and 2022, respectively.

Stock Repurchase Program

During the three months ended September 30, 2023, pursuant to a stock repurchase plan adopted in 2022, as amended (the “2022 Repurchase Plan”), we repurchased approximately 262,000 shares of common stock for approximately $5.1 million. In October 2023, we repurchased, pursuant to the 2022 Repurchase Plan, approximately 62,000 shares of common stock for approximately $1.1 million. No more shares may be repurchased pursuant to the 2022 Repurchase Plan.

In October 2023, the Board of Directors approved a new share repurchase plan (the “2023 Repurchase Plan”) authorizing the repurchase of up to $10.0 million of shares of our common stock. Pursuant to the 2023 Repurchase Plan, through October 16, 2023 we repurchased approximately 71,000 shares of common stock for approximately $1.3 million. After giving effect to such repurchases, we are authorized to repurchase approximately $8.7 million of shares of our common stock.

We anticipate that due to the uncertain acquisition environment, and the current price of our common stock, that, in the near term, we will continue to repurchase our common stock.

Contracted and Contemplated Dispositions

From July 1, 2023 through November 1, 2023, we entered into contracts to sell three restaurant and two retail properties (excluding the TGI Fridays restaurant we sold in Greensboro, North Carolina and the Manahawkin Property) for an aggregate sales price of approximately $18.9 million. The buyers’ rights to terminate the contracts without penalty expire through December 2023. During the nine months ended September 30, 2023, these five properties generated $975,000 in aggregate of rental income and $42,000 and $189,000 of real estate expense and depreciation and amortization expense, respectively. Set forth below is information regarding these five properties, as of September 30, 2023, presented on an aggregate basis:

Weighted average remaining lease term: 9.7 years
Estimated gain on sale: $7.0 million to $8.0 million
Estimated sales proceeds, net of transactions costs: $16.0 million to $18.0 million

We anticipate that these transactions will close in the quarter ending December 31, 2023 and that the net proceeds therefrom will be used to pay down our credit facility indebtedness. We can provide no assurance that these transactions will be completed.

We also anticipate that over the next several months we may sell several additional retail properties and that the net proceeds therefrom will be used to pay down our credit facility indebtedness. These contemplated sales, if completed, will reduce our operating cash flow, and over the long term may reduce our ability to pay dividends.

Challenges Presented by Increasing or Prevailing Interest Rates

From October 1, 2023 through December 31, 2024, we have $56.9 million of mortgage debt maturing with a weighted average interest rate of 4.4%. If interest rates increase or continue at current levels, we may be required to refinance (including any cash-out refinancing) such mortgage debt on terms less favorable than those currently in effect (*i.e.*, at higher interest rates) which will adversely affect our cash flow and profitability.

Results of Operations

*Total revenues*

The following table compares total revenues for the periods indicated:

| (Dollars in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Increase (Decrease) | % Change | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|---|---|
| Rental income, net | $ 22,546 | $ 21,473 | $ 1,073 | 5.0 | $ 67,905 | $ 64,476 | $ 3,429 | 5.3 |
| Lease termination fees | — | — | — | — | — | 25 | (25) | (100.0) |
| Total revenues | $ 22,546 | $ 21,473 | $ 1,073 | 5.0 | $ 67,905 | $ 64,501 | $ 3,404 | 5.3 |

*Rental income, net.*

The following table details the components of rental income, net, for the periods indicated:

| (Dollars in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Increase (Decrease) | % Change | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|---|---|
| Acquisitions (1) | $ 1,471 | $ 733 | $ 738 | 100.7 | $ 3,836 | $ 1,249 | $ 2,587 | 207.1 |
| Dispositions (2) | 55 | 213 | (158) | (74.2) | 397 | 1,252 | (855) | (68.3) |
| Same store (3) | 21,020 | 20,527 | 493 | 2.4 | 63,672 | 61,975 | 1,697 | 2.7 |
| Rental income, net | $ 22,546 | $ 21,473 | $ 1,073 | 5.0 | $ 67,905 | $ 64,476 | $ 3,429 | 5.3 |

(1) Represents rental income from properties acquired since January 1, 2022.
(2) Represents rental income from properties sold since January 1, 2022.
(3) Represents rental income from 108 properties that were owned for the entirety of the periods presented.

Changes at same store properties

The increases in same store rental income during the three and nine months ended September 30, 2023 are due primarily to increases of:

- $521,000 and $1.4 million, respectively, of rental income from various lease amendments and extensions at our properties,

- $123,000 and $754,000, respectively, of rental income due to new tenants at various properties, and

- $299,000 and $606,000, respectively, in tenant reimbursements, of which $258,000 and $403,000, respectively, relates to operating expenses generally incurred in the same period, and for the nine months ended September 30, 2023, $203,000 relates to real estate taxes.

The increases were offset during the three and nine months ended September 30, 2023 due to the inclusion, in the corresponding 2022 periods, of:

- $163,000 and $491,000, respectively, of rental income from leases that expired in 2022 and 2023 at several properties,

- $143,000 and $318,000, respectively, from Bed Bath & Beyond - Kennesaw, Georgia which filed for bankruptcy (including the write-off, during the nine months ended September 30, 2023, of the $133,000 unbilled rent receivable balance), and

- $145,000 and $257,000, respectively, of rental income from our wholly-owned Regal Cinemas properties due to lease amendments effectuated in connection with its bankruptcy reorganization.

*Operating Expenses*

The following table compares operating expenses for the periods indicated:

| (Dollars in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Increase (Decrease) | % Change | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|---|---|
| Operating expenses: | | | | | | | | |
| Depreciation and amortization | $ 6,310 | $ 5,970 | $ 340 | 5.7 | $ 18,569 | $ 17,718 | $ 851 | 4.8 |
| General and administrative | 3,864 | 3,769 | 95 | 2.5 | 12,068 | 11,534 | 534 | 4.6 |
| Real estate expenses | 4,061 | 3,970 | 91 | 2.3 | 12,139 | 11,206 | 933 | 8.3 |
| State taxes | 76 | 60 | 16 | 26.7 | 232 | 211 | 21 | 10.0 |
| Total operating expenses | $ 14,311 | $ 13,769 | $ 542 | 3.9 | $ 43,008 | $ 40,669 | $ 2,339 | 5.8 |

*Depreciation and amortization.* The increases in the three and nine months ended September 30, 2023 are due primarily to (i) $391,000 and $1.2 million, respectively, of such expense from properties acquired in 2022 and 2023, and (ii) $141,000 and $362,000, respectively, of depreciation from improvements at several properties. In addition, the nine months ended September 30, 2023 includes $170,000 of amortization of leasing commissions at several properties.

The increases were offset by:

- decreases of $194,000 and $653,000, respectively, related to improvements and tenant origination costs at several properties that prior to September 30, 2023 were fully amortized, and

- the inclusion of $214,000 of such expense, in the nine months ended September 30, 2022, from the properties sold since January 1, 2022.

*General and administrative.* The increase in the nine months ended September 30, 2023 is due primarily to an increase of $422,000 of compensation expense related to additional employees, and to a lesser extent, higher levels of compensation.

*Real estate expenses.* The increases in the three and nine months ended September 30, 2023 are primarily due to:

- $169,000 and $633,000, respectively, from properties acquired in 2022 and 2023,

- $93,000 and $368,000, respectively, relating to real estate tax expense (primarily related to our El Paso, Texas and Ankeny, Iowa properties), and

- $113,000 and $382,000, respectively, of other real estate expenses, and in the nine months ended September 30, 2023, $218,000 of insurance expense for several properties.

These increases were offset due to the inclusion, in the corresponding 2022 periods of:

- $229,000 and $229,000, respectively, relating to the prior year period accrual for the potential real estate tax liability related to our wholly-owned Regal Cinemas properties due to uncertainty as to whether the tenant would satisfy its obligations to make such payments, and

- $247,000 of such expense, in the nine months ended September 30, 2022, from the properties sold since January 1, 2022.

A substantial portion of real estate expenses is rebilled to tenants and is included in Rental income, net, on the consolidated statements of income.

*Gain on sale of real estate, net.*

The following table compares gain on sale of real estate, net, for the periods indicated:

| (Dollars in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Increase (Decrease) | % Change | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|---|---|
| Gain on sale of real estate, net | $ 332 | $ 4,063 | $ (3,731) | (91.8) | $ 5,046 | $ 16,762 | $ (11,716) | (69.9) |

The following table lists the properties sold and the related gains, net, for the periods indicated:

| (Dollars in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| TGI Fridays restaurant property - Greensboro, North Carolina | $ 332 | $ — | $ 332 | $ — |
| Havertys retail property - Duluth, Georgia | — | — | 3,180 | — |
| TGI Fridays restaurant property - Hauppauge, New York | — | — | 1,534 | — |
| Wendy's restaurants (4 properties) - Various cities, Pennsylvania | — | — | — | 4,649 |
| Orlando Baking industrial property - Columbus, Ohio | — | — | — | 6,925 |
| Havertys retail property - Fayetteville, Georgia | — | — | — | 1,125 |
| Vacant retail property - Columbus, Ohio | — | 4,063 | — | 4,063 |
| Total gain on sale of real estate, net | $ 332 | $ 4,063 | $ 5,046 | $ 16,762 |

*Other Income and Expenses*

The following table compares other income and expenses for the periods indicated:

| (Dollars in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Increase (Decrease) | % Change | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|---|---|
| Other income and expenses: | | | | | | | | |
| Equity in (loss) earnings of unconsolidated joint ventures | $ (905) | $ 82 | $ (987) | (1,203.7) | $ (761) | $ 310 | $ (1,071) | (345.5) |
| Income on settlement of litigation | — | — | — | n/a | — | 5,388 | (5,388) | (100.0) |
| Other income | 87 | 17 | 70 | 411.8 | 131 | 997 | (866) | (86.9) |
| Interest: | | | | | | | | |
| Expense | (4,768) | (4,367) | 401 | 9.2 | (13,978) | (13,026) | 952 | 7.3 |
| Amortization and write-off of deferred financing costs | (212) | (278) | (66) | (23.7) | (619) | (917) | (298) | (32.5) |

*Equity in (loss) earnings of unconsolidated joint ventures.* The decrease in the three and nine months ended September 30, 2023 includes our 50% share, or $850,000, of a $1.7 million impairment charge our joint venture recorded with respect to the Manahawkin Property. (See Note 7 to our consolidated financial statements.) The nine months ended September 30, 2023 also includes a $112,000 decrease in base rent collected from Regal Cinemas due to the lease amendment effectuated in connection with its bankruptcy reorganization. We anticipate that for the next several months, if not longer, we will not collect any rent from Regal Cinemas at the Manahawkin Property.

*Income on settlement of litigation.* In April 2022, we received $5.4 million in connection with the settlement of a lawsuit at our former Round Rock, Texas property (the “Round Rock Settlement”). (See Note 13 to our consolidated financial statements.)

*Other income.* The nine months ended September 30, 2022 includes $918,000 representing the final property insurance recovery related to our Lake Charles, Louisiana property damaged in a 2020 hurricane. (See Note 13 to our consolidated financial statements.)

*Interest expense.* The following table compares interest expense for the periods indicated:

| (Dollars in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Increase (Decrease) | % Change | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|---|---|
| Interest expense: | | | | | | | | |
| Mortgage interest | $ 4,454 | $ 4,150 | $ 304 | 7.3 | $ 12,976 | $ 12,535 | $ 441 | 3.5 |
| Credit line interest | 314 | 217 | 97 | 44.7 | 1,002 | 491 | 511 | 104.1 |
| Total | $ 4,768 | $ 4,367 | $ 401 | 9.2 | $ 13,978 | $ 13,026 | $ 952 | 7.3 |

Mortgage interest

The following table reflects the average interest rate on the average principal amount of outstanding mortgage debt for the periods indicated:

| (Dollars in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Increase (Decrease) | % Change | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|---|---|
| Weighted average interest rate | 4.19 % | 4.11 % | 0.08 % | 1.9 | 4.15 % | 4.15 % | — % | — |
| Weighted average principal amount | $ 421,762 | $ 404,178 | $ 17,584 | 4.4 | $ 414,483 | $ 403,072 | $ 11,411 | 2.8 |

The increases in mortgage interest in the three and nine months ended September 30, 2023 are due primarily to increases in the average principal amount of mortgage debt outstanding as a result of refinancings and acquisitions. The increase was offset by mortgage payoffs (generally in connection with scheduled maturities) and scheduled amortization payments.

Credit line interest

The following table reflects the weighted average interest rate on the weighted average principal amount of outstanding credit line debt for the periods indicated:

| (Dollars in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Increase (Decrease) | % Change | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|---|---|
| Weighted average interest rate | 7.01 % | 3.59 % | 3.42 % | 95.3 | 6.60 % | 2.74 % | 3.86 % | 140.9 |
| Weighted average principal amount | $ 14,696 | $ 16,870 | $ (2,174) | (12.9) | $ 17,132 | $ 15,480 | $ 1,652 | 10.7 |

The increases in credit line interest in the three and nine months ended September 30, 2023 are due primarily to increases in the weighted average interest rates.

At November 1, 2023, $22.5 million was outstanding under our credit facility. Accordingly, we anticipate that over the short-term, until such outstanding amount is reduced, our interest expense will be higher than the interest expense incurred during the corresponding 2022 periods.

*Amortization and write-off of deferred financing costs.* The decrease in the nine months ended September 30, 2023 was primarily due to the $221,000 write-off of deferred costs related to the mortgages on the eleven Havertys properties that were paid off in June 2022.

Liquidity and Capital Resources

Our sources of liquidity and capital include cash flow from operations, cash and cash equivalents, borrowings under our credit facility, refinancing existing mortgage loans, obtaining mortgage loans secured by our unencumbered properties, issuance of our equity securities pursuant to our recently renewed at-the-market equity offering program and property sales. Our available liquidity at November 1, 2023, was $83.6 million, including $6.1 million of cash and cash equivalents (including the credit facility's required minimum $3.0 million average deposit maintenance balance) and $77.5 million available under our credit facility. At November 1, 2023, the facility is available for the acquisition of commercial real estate, repayment of mortgage debt, and up to $26.0 million for renovation and operating expense purposes.

*Liquidity and Financing*

We expect to meet our short-term (*i.e.,* one year or less) and long-term (i) operating cash requirements, including debt service, anticipated dividend payments and repurchases of our common stock, principally from cash flow from operations, our available cash and cash equivalents, proceeds from and, to the extent permitted and needed, our credit facility and (ii) investing and financing cash requirements (including an estimated aggregate of $3.6 million of capital and other expenditures) from the foregoing, as well as property financings and refinancings and property sales.

At September 30, 2023, excluding the mortgage debt of our unconsolidated joint venture, we had 68 outstanding mortgages payable secured by 69 properties in the aggregate principal amount of $420.9 million (before netting unamortized deferred financing costs of $3.3 million and mortgage intangibles of $838,000). These mortgages represent first liens on individual real estate investments with an aggregate carrying value of $670.4 million, before accumulated depreciation of $123.6 million. After giving effect to interest rate swap agreements, the mortgage payments bear interest at fixed rates ranging from 2.97% to 5.56% (a 4.18% weighted average interest rate) and mature between 2023 and 2047 (a 6.0 year weighted average remaining term to maturity).

The following table sets forth, as of September 30, 2023, information with respect to our mortgage debt that is payable during the three months ending December 31, 2023 and for each of the subsequent twelve months through December 31, 2026 (excludes our unconsolidated joint venture's $20.8 million mortgage debt bearing an interest rate of 4.0% and maturing in 2025):

| **(Dollars in thousands)** | **2023** | **2024** | **2025** | **2026** | **Total** |
|---|---|---|---|---|---|
| Amortization payments | $ 3,150 | $ 11,732 | $ 10,449 | $ 10,348 | $ 35,679 |
| Principal due at maturity | 6,238 | 50,695 | 32,063 | 19,179 | 108,175 |
| Total | $ 9,388 | $ 62,427 | $ 42,512 | $ 29,527 | $ 143,854 |
| | | | | | |
| Weighted average interest rate % on principal due at maturity | 4.00 % | 4.41 % | 4.32 % | 3.88 % | |

We intend to make debt amortization payments from operating cash flow and, though no assurance can be given that we will be successful in this regard, generally intend to refinance, extend or pay off the mortgage loans which mature in 2023 through 2026. In particular, we anticipate refinancing a substantial portion of the debt maturing in 2023 and 2024 although given the significant increase in interest rates over the past year, we can provide no assurance that we will be able to do so on terms as favorable as those currently in effect or at all. We generally intend to repay the amounts not refinanced or extended from our existing funds and sources of funds, including our available cash, proceeds from the sale of our common stock and our credit facility (to the extent available).

We continually seek to refinance existing mortgage loans on terms we deem acceptable to generate additional liquidity. Additionally, in the normal course of our business, we sell properties when we determine that it is in our best interests, which also generates additional liquidity. Further, although we have done so infrequently and primarily in the context of a tenant default at a property for which we have not found a replacement tenant, if we believe we have negative equity in a property subject to a non-recourse mortgage loan, we may convey such property to the mortgagee to terminate our mortgage obligations, including payment of interest, principal and real estate taxes, with respect to such property.

Typically, we utilize funds from our credit facility to acquire a property and, thereafter secure long-term, fixed rate mortgage debt on such property. We apply the proceeds from the mortgage loan to repay borrowings under the credit facility, thus providing us with the ability to re-borrow under the credit facility for the acquisition of additional properties.

*Credit Facility*

Our credit facility provides that subject to borrowing base requirements, we can borrow up to $100.0 million for the acquisition of commercial real estate, repayment of mortgage debt, and renovation and operating expense purposes; provided, that if used for renovation and operating expense purposes, the amount outstanding for such purposes will not exceed the lesser of $40.0 million and 40% of the borrowing base. The facility matures December 31, 2026 and bears interest equal to 30-day SOFR plus the applicable margin. The applicable margin ranges from 175 basis points if our ratio of total debt to total value (as calculated pursuant to the facility) is equal to or less than 50%, increasing to a maximum of 275 basis points if such ratio is greater than 60%. The applicable margin was 175 basis points for each of the nine months ended September 30, 2023 and 2022. There is an unused facility fee of 0.25% per annum on the difference between the outstanding loan balance and $100.0 million. The credit facility requires the maintenance of $3.0 million in average deposit balances. The interest rate on the facility was 7.08% and 7.06% at September 30, 2023 and October 31, 2023, respectively. On October 31, 2023, $22.5 million was outstanding on the credit facility.

The terms of our credit facility include certain restrictions and covenants which may limit, among other things, the incurrence of liens, and which require compliance with financial ratios relating to, among other things, the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of debt to value, the minimum level of net income, certain investment limitations and the minimum value of unencumbered properties and the number of such properties. Net proceeds received from the sale, financing or refinancing of properties are generally required to be used to repay amounts outstanding under our credit facility. At September 30, 2023, we were in compliance with the covenants under this facility.

*Other Financing Sources and Arrangements*

We own a land parcel located in Beachwood, Ohio which is improved by a multi-family complex (*i.e.,* The Vue Apartments) that we ground lease to the owner/operator of such complex. This ground lease did not generate any rental income during the nine months ended September 30, 2023 and 2022. At September 30, 2023, the carrying value of the land on our balance sheet was approximately $17.0 million; our leasehold position is subordinate to $63.9 million of mortgage debt incurred by our tenant, the owner/operator of the multi-family complex. In addition, we have agreed, in our discretion, to fund certain capital expenditures and operating cash flow shortfalls at this property. We do not believe that this type of off-balance sheet arrangement has been or will be material to our liquidity and capital resource positions, except to the extent we determine to continue to fund the capital expenditures required by, and the operating cash flow shortfalls at, this property. See Note 6 to our consolidated financial statements for additional information regarding this arrangement.

*Application of Critical Accounting Estimates*

A complete discussion of our critical accounting estimates is included in our Annual Report. There have been no changes in such estimates.

*Funds from Operations and Adjusted Funds from Operations*

We compute funds from operations, or FFO, in accordance with the “White Paper on Funds From Operations” issued by the National Association of Real Estate Investment Trusts (“NAREIT”) and NAREIT’s related guidance. FFO is defined in the White Paper as net income (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, impairment write-downs of certain real estate assets and investments in entities where the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. In computing FFO, we do not add back to net income the amortization of costs in connection with our financing activities or depreciation of non-real estate assets.

We compute adjusted funds from operations, or AFFO, by adjusting from FFO for straight-line rent accruals and amortization of lease intangibles, deducting from income additional rent from ground lease tenant, income on settlement of litigation, income on insurance recoveries from casualties, lease termination and assignment fees, and adding back amortization of restricted stock and restricted stock unit compensation expense, amortization of costs in connection with our financing activities (including our share of our unconsolidated joint ventures), debt prepayment costs and amortization of lease incentives and mortgage intangible assets. Since the NAREIT White Paper does not provide guidelines for computing AFFO, the computation of AFFO varies from one REIT to another.

We believe that FFO and AFFO are useful and standard supplemental measures of the operating performance for equity REITs and are used frequently by securities analysts, investors and other interested parties in evaluating equity REITs, many of which present FFO and AFFO when reporting their operating results. FFO and AFFO are intended to exclude GAAP historical cost depreciation and amortization of real estate assets, which assumes that the value of real estate assets diminish predictability over time. In fact, real estate values have historically risen and fallen with market conditions. As a result, we believe that FFO and AFFO provide a performance measure that when compared year over year, should reflect the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs and other matters without the inclusion of depreciation and amortization, providing a perspective that may not be necessarily apparent from net income. We also consider FFO and AFFO to be useful to us in evaluating potential property acquisitions.

FFO and AFFO do not represent net income or cash flows from operations as defined by GAAP. FFO and AFFO and should not be considered to be an alternative to net income as a reliable measure of our operating performance; nor should FFO and AFFO be considered an alternative to cash flows from operating, investing or financing activities (as defined by GAAP) as measures of liquidity. FFO and AFFO do not measure whether cash flow is sufficient to fund all of our cash needs, including principal amortization, capital improvements and distributions to stockholders.

Management recognizes that there are limitations in the use of FFO and AFFO. In evaluating our performance, management is careful to examine GAAP measures such as net income and cash flows from operating, investing and financing activities.

The tables below provide a reconciliation of net income and net income per common share (on a diluted basis) in accordance with GAAP to FFO and AFFO for the periods indicated (dollars in thousands, except per share amounts):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP net income attributable to One Liberty Properties, Inc. | $ 2,747 | $ 7,204 | $ 14,652 | $ 33,294 |
| Add: depreciation and amortization of properties | 6,134 | 5,800 | 18,028 | 17,297 |
| Add: our share of depreciation and amortization of unconsolidated joint ventures | 130 | 130 | 389 | 389 |
| Add: amortization of deferred leasing costs | 176 | 170 | 541 | 421 |
| Add: our share of amortization of deferred leasing costs of unconsolidated joint ventures | 5 | 5 | 14 | 16 |
| Add: our share of impairment loss of unconsolidated joint venture property | 850 | — | 850 | — |
| Deduct: gain on sale of real estate, net | (332) | (4,063) | (5,046) | (16,762) |
| Adjustments for non-controlling interests | (19) | (17) | (53) | (49) |
| NAREIT funds from operations applicable to common stock | 9,691 | 9,229 | 29,375 | 34,606 |
| Deduct: straight-line rent accruals and amortization of lease intangibles | (619) | (712) | (2,139) | (2,196) |
| Deduct: our share of straight-line rent accruals and amortization of lease intangibles of unconsolidated joint ventures | (5) | (6) | (15) | (22) |
| Deduct: other income and income on settlement of litigation | (75) | — | (75) | (5,388) |
| Deduct: additional rent from ground lease tenant | — | — | (16) | — |
| Deduct: income on insurance recovery from casualty loss | — | — | — | (918) |
| Deduct: lease termination fee income | — | — | — | (25) |
| Deduct: our share of unconsolidated joint venture lease termination fee income | (21) | — | (21) | (25) |
| Add: amortization of restricted stock and RSU compensation | 1,211 | 1,306 | 4,103 | 4,190 |
| Add: amortization and write-off of deferred financing costs | 212 | 278 | 619 | 917 |
| Add: amortization of lease incentives | 30 | — | 91 | — |
| Add: amortization of mortgage intangible assets | 33 | — | 79 | — |
| Add: our share of amortization of deferred financing costs of unconsolidated joint venture | 4 | 4 | 13 | 12 |
| Adjustments for non-controlling interests | (1) | 2 | (1) | 8 |
| Adjusted funds from operations applicable to common stock | $ 10,460 | $ 10,101 | $ 32,013 | $ 31,159 |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP net income attributable to One Liberty Properties, Inc. | $ .12 | $ .34 | $ .66 | $ 1.57 |
| Add: depreciation and amortization of properties | .29 | .27 | .86 | .81 |
| Add: our share of depreciation and amortization of unconsolidated joint ventures | .01 | .01 | .02 | .02 |
| Add: amortization of deferred leasing costs | .01 | .01 | .03 | .02 |
| Add: our share of amortization of deferred leasing costs of unconsolidated joint ventures | — | — | — | — |
| Add: our share of impairment loss of unconsolidated joint venture property | .04 | — | .04 | — |
| Deduct: gain on sale of real estate, net | (.02) | (.19) | (.24) | (.79) |
| Adjustments for non-controlling interests | — | — | — | — |
| NAREIT funds from operations per share of common stock (a) | .45 | .44 | 1.37 | 1.63 |
| Deduct: straight-line rent accruals and amortization of lease intangibles | (.03) | (.03) | (.10) | (.11) |
| Deduct: our share of straight-line rent accruals and amortization of lease intangibles of unconsolidated joint ventures | — | — | — | — |
| Deduct: other income and income on settlement of litigation | — | — | — | (.25) |
| Deduct: additional rent from ground lease tenant | — | — | — | — |
| Deduct: income on insurance recovery from casualty loss | — | — | — | (.04) |
| Deduct: lease termination fee income | — | — | — | — |
| Deduct: our share of unconsolidated joint venture lease termination fee income | — | — | — | — |
| Add: amortization of restricted stock and RSU compensation | .06 | .06 | .19 | .20 |
| Add: amortization and write-off of deferred financing costs | .01 | .01 | .03 | .04 |
| Add: amortization of lease incentives | — | — | — | — |
| Add: amortization of mortgage intangible assets | — | — | — | — |
| Add: our share of amortization of deferred financing costs of unconsolidated joint venture | — | — | — | — |
| Adjustments for non-controlling interests | — | — | — | — |
| Adjusted funds from operations per share of common stock (a) | $ .49 | $ .48 | $ 1.49 | $ 1.47 |

(a) The weighted average number of diluted common shares used to compute FFO and AFFO applicable to common stock includes unvested restricted shares that are excluded from the computation of diluted EPS.

Three Months Ended September 30, 2023 and 2022

The $462,000, or 5.0%, increase in FFO for the three months ended September 30, 2023 from the corresponding 2022 period is due primarily to a $1.1 million net increase in rental income.

Offsetting the increase is:

- a $401,000 increase in interest expense,
- an aggregate $186,000 increase in general and administrative expenses and real estate expenses, and
- a $137,000 decrease in equity in earnings of unconsolidated joint ventures.

The $359,000, or 3.6%, increase in AFFO is primarily due to the factors impacting FFO as described immediately above.

See "—*Results of Operations*" for further information regarding these changes.

Nine Months Ended September 30, 2023 and 2022

The $5.2 million, or 15.1%, decrease in FFO for the nine months ended September 30, 2023 from the corresponding 2022 period is due primarily to:

- the inclusion, in the corresponding 2022 period, of $5.4 million from the Round Rock Settlement,
- a $952,000 increase in interest expense,
- a $933,000 increase in real estate expenses,
- the inclusion, in the corresponding 2022 period, of $918,000 of income on insurance recovery from casualty loss,
- a $534,000 increase in general and administrative expenses,
- the inclusion, in the corresponding 2022 period, of an additional $298,000 in amortization of deferred financing costs, and
- a $221,000 decrease in equity in earnings of unconsolidated joint ventures.

Offsetting the decrease is a $3.4 million net increase in rental income.

The $854,000 or 2.7%, increase in AFFO is due to the factors impacting FFO as described immediately above, excluding the (i) $5.4 million Round Rock Settlement and (ii) $918,000 income on insurance recovery from casualty loss.

See "—*Results of Operations*" for further information regarding these changes.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our primary market risk exposure is the effect of changes in interest rates on the interest cost of draws on our revolving variable rate credit facility and the effect of changes in the fair value of our interest rate swap agreements. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

We use interest rate swaps to limit interest rate risk on variable rate mortgages. These swaps are used for hedging purposes-not for speculation. We do not enter into interest rate swaps for trading purposes. At September 30, 2023, we had no liability in the event of the early termination of our swaps.

At September 30, 2023, we had 16 interest rate swap agreements outstanding. The fair market value of the interest rate swaps is dependent upon existing market interest rates and swap spreads, which change over time. As of September 30, 2023, if there had been an increase of 100 basis points in forward interest rates, the fair market value of the interest rate swaps and the net unrealized gain on derivative instruments would have increased by $395,000. If there were a decrease of 100 basis points in forward interest rates, the fair market value of the interest rate swaps and the net unrealized gain on derivative instruments would have decreased by $404,000. These changes would not have any impact on our net income or cash.

Our variable mortgage debt, after giving effect to the interest rate swap agreements, bears interest at fixed rates and accordingly, the effect of changes in interest rates would not impact the interest expense we incur under these mortgages.

Our variable rate credit facility is sensitive to interest rate changes. Based on the $12.5 million outstanding balance under this facility at September 30, 2023, a 100 basis point increase of the interest rate would increase our related interest costs over the next twelve months by approximately $125,000 and a 100 basis point decrease of the interest rate would decrease our related interest costs over the next twelve months by approximately $125,000.

The fair market value of our long-term debt is estimated based on discounting future cash flows at interest rates that our management believes reflect the risks associated with long-term debt of similar risk and duration.

**Item 4. Controls and Procedures**

Based on their evaluation as of the end of the period covered by this report, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are effective.

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) promulgated under the Exchange Act) during the three months ended September 30, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Set forth below is a table describing the shares of our common stock we repurchased during the quarter ended September 30, 2023 pursuant to the 2022 Repurchase Plan:

**Issuer Purchases of Equity Securities**

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs |
|---|---|---|---|---|
| July 1, 2023 - July 31, 2023 | — | $ — | — | $ 6,045,045 |
| August 1, 2023 - August 31, 2023 | 149,134 | 19.86 | 149,134 | 3,074,853 |
| September 1, 2023 - September 30, 2023 | 113,180 | 19.14 | 113,180 | 901,891 (1) |
| Total | 262,314 | 19.55 | 262,314 | |

(1) In October 2023, the Board amended the 2022 Repurchase Plan to increase the shares that were authorized to be repurchased pursuant thereto from $7.5 million of shares to approximately $7.7 million of shares.

In October 2023, pursuant to the 2022 Repurchase Plan, we repurchased approximately 62,000 shares of common stock for approximately $1.1 million. No more shares may be repurchased pursuant to the 2022 Repurchase Plan.

In October 2023, the Board of Directors approved the 2023 Repurchase Plan authorizing the repurchase of up to $10.0 million of shares of our common stock. There is no stated expiration date for this plan. Pursuant to the 2023 Repurchase Plan, in October 2023 we repurchased approximately 71,000 shares of common stock for approximately $1.3 million. After giving effect to such repurchases, we are authorized to repurchase approximately $8.7 million of shares of our common stock.

### Item 5. Other Information

None of our officers or directors had any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" in effect at any time during the three months ended September 30, 2023.

### Item 6. Exhibits

| Exhibit No. | Title of Exhibit |
|---|---|
| 31.1 | Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Senior Vice President and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following financial statements and notes from the One Liberty Properties, Inc. Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 filed on November 6, 2023, formatted in Inline XBRL: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Changes in Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to the Consolidated Financial Statements. |
| 104 | Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document and included in Exhibit 101). |

**ONE LIBERTY PROPERTIES, INC.**
**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ONE LIBERTY PROPERTIES, INC.
(Registrant)

Date: November 6, 2023

/s/ Patrick J. Callan, Jr.
Patrick J. Callan, Jr.
President and Chief Executive Officer
(principal executive officer)

Date: November 6, 2023

/s/ Isaac Kalish
Isaac Kalish
Senior Vice President and
Chief Financial Officer
(principal financial officer)

**EXHIBIT 31.1**

CERTIFICATION

I, Patrick J. Callan, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 of One Liberty Properties, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2023

/s/ Patrick J. Callan, Jr.
Patrick J. Callan, Jr.
President and Chief Executive Officer

**EXHIBIT 31.2**

CERTIFICATION

I, Isaac Kalish, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 of One Liberty Properties, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2023

/s/ Isaac Kalish
Isaac Kalish
Senior Vice President and Chief Financial Officer

**EXHIBIT 32.1**

CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Patrick J. Callan, Jr., do hereby certify, pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based upon a review of the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 of One Liberty Properties, Inc. (“the Registrant”), as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 6, 2023

/s/ Patrick J. Callan, Jr.
Patrick J. Callan, Jr.
President and
Chief Executive Officer

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

**EXHIBIT 32.2**

CERTIFICATION OF SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Isaac Kalish, do hereby certify, pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based upon a review of the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 of One Liberty Properties, Inc. (“the Registrant”), as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 6, 2023

/s/ Isaac Kalish
Isaac Kalish
Senior Vice President and
Chief Financial Officer

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.