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, 2017

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

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

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ 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, 2017, the registrant had 18,782,252 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, 2017 (Unaudited)	December 31, 2016
Assets		
Real estate investments, at cost		
Land	$ 210,211	$ 211,432
Buildings and improvements	554,772	536,633
Total real estate investments, at cost	764,983	748,065
Less accumulated depreciation	105,150	96,852
Real estate investments, net	659,833	651,213
Investment in unconsolidated joint ventures	10,648	10,833
Cash and cash equivalents	14,926	17,420
Restricted cash	530	643
Unbilled rent receivable	13,839	13,797
Unamortized intangible lease assets, net	31,774	32,645
Escrow, deposits and other assets and receivables	6,032	6,894
Total assets(1)	$ 737,582	$ 733,445
Liabilities and Equity		
Liabilities:		
Mortgages payable, net of $3,960 and $4,294 of deferred financing costs, respectively	$ 397,093	$ 394,898
Line of credit, net of $702 and $936 of deferred financing costs, respectively	5,698	9,064
Dividends payable	8,053	7,806
Accrued expenses and other liabilities	11,890	10,470
Unamortized intangible lease liabilities, net	17,990	19,280
Total liabilities(1)	440,724	441,518
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; 25,000 shares authorized; 18,114 and 17,600 shares issued and outstanding	18,114	17,600
Paid-in capital	270,762	262,511
Accumulated other comprehensive loss	(1,275)	(1,479)
Accumulated undistributed net income	7,544	11,501
Total One Liberty Properties, Inc. stockholders' equity	295,145	290,133
Non-controlling interests in consolidated joint ventures	1,713	1,794
Total equity	296,858	291,927
Total liabilities and equity	$ 737,582	$ 733,445

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Continued)

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(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: $17.8 million and $17.8 million of land, $32.1 million and $32.5 million of building and improvements, net of $3.5 million and $2.7 million of accumulated depreciation, $4.1 million and $5.5 million of other assets included in other line items, $32.5 million and $33.1 million of real estate debt, net, $3.1 million and $3.1 million of other liabilities included in other line items as of September 30, 2017 and December 31, 2016, 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,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Rental income, net	$ 17,217	$ 16,334	$ 50,770	$ 46,985
Tenant reimbursements	1,920	1,687	5,252	4,614
Total revenues	19,137	18,021	56,022	51,599
Operating expenses:				
Depreciation and amortization	5,115	4,663	15,858	13,246
General and administrative (see Note 10 for related party information)	2,701	2,681	8,409	7,961
Real estate expenses (see Note 10 for related party information)	2,689	2,188	7,765	6,521
Real estate acquisition costs	—	162	—	610
Federal excise and state taxes	90	43	401	198
Leasehold rent	77	77	231	231
Impairment loss	153	—	153	—
Total operating expenses	10,825	9,814	32,817	28,767
Operating income	8,312	8,207	23,205	22,832
Other income and expenses:				
Equity in earnings of unconsolidated joint ventures	212	228	663	794
Prepayment costs on debt	—	—	—	(577)
Other income	57	362	399	431
Interest:				
Expense	(4,459)	(4,404)	(13,380)	(12,593)
Amortization and write-off of deferred financing costs	(263)	(189)	(717)	(644)
Income before gain on sale of real estate, net	3,859	4,204	10,170	10,243
Gain on sale of real estate, net	3,269	119	9,837	9,824
Net income	7,128	4,323	20,007	20,067
Net income attributable to non-controlling interests	(23)	(24)	(65)	(40)
Net income attributable to One Liberty Properties, Inc.	$ 7,105	$ 4,299	$ 19,942	$ 20,027
Weighted average number of common shares outstanding:				
Basic	18,000	16,845	17,859	16,605
Diluted	18,079	16,962	17,961	16,722
Per common share attributable to common stockholders:				
Basic	$ .38	$ .24	$ 1.07	$ 1.16
Diluted	$ .38	$ .24	$ 1.07	$ 1.15
Cash distributions declared per share of common stock	$ .43	$ .41	$ 1.29	$ 1.23

See accompanying notes to consolidated financial statements.

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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,	
	2017	2016	2017	2016
Net income	$ 7,128	$ 4,323	$ 20,007	$ 20,067
Other comprehensive gain (loss)				
Reclassification of gain on available-for-sale securities included in net income	—	—	—	(27)
Net unrealized gain (loss) on derivative instruments	104	1,018	172	(5,177)
One Liberty Properties Inc.'s share of joint venture net unrealized gain (loss) on derivative instruments	11	44	34	(92)
Other comprehensive gain (loss)	115	1,062	206	(5,296)
Comprehensive income	7,243	5,385	20,213	14,771
Net income attributable to non-controlling interests	(23)	(24)	(65)	(40)
Adjustment for derivative instruments attributable to non-controlling interests	(1)	(5)	(2)	15
Comprehensive income attributable to One Liberty Properties, Inc.	$ 7,219	$ 5,356	$ 20,146	$ 14,746

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)

	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Undistributed Net Income	Non-Controlling Interests in Consolidated Joint Ventures	Total
Balances, December 31, 2015	$ 16,292	$ 232,378	$ (4,390)	$ 16,215	$ 1,931	$ 262,426
Distributions - common stock Cash - $1.23 per share	—	—	—	(21,330)	—	(21,330)
Shares issued through equity offering program - net	608	13,689	—	—	—	14,297
Restricted stock vesting	73	(73)	—	—	—	—
Shares issued through dividend reinvestment plan	101	2,087	—	—	—	2,188
Contribution from non-controlling interest	—	—	—	—	30	30
Distributions to non-controlling interests	—	—	—	—	(236)	(236)
Compensation expense - restricted stock	—	2,176	—	—	—	2,176
Net income	—	—	—	20,027	40	20,067
Other comprehensive loss	—	—	(5,281)	—	(15)	(5,296)
Balances, September 30, 2016	$ 17,074	$ 250,257	$ (9,671)	$ 14,912	$ 1,750	$ 274,322
Balances, December 31, 2016	$ 17,600	$ 262,511	$ (1,479)	$ 11,501	$ 1,794	$ 291,927
Distributions - common stock Cash - $1.29 per share	—	—	—	(23,899)	—	(23,899)
Shares issued through equity offering program - net	135	2,932	—	—	—	3,067
Restricted stock vesting	232	(232)	—	—	—	—
Shares issued through dividend reinvestment plan	147	3,210	—	—	—	3,357
Distributions to non-controlling interests	—	—	—	—	(148)	(148)
Compensation expense - restricted stock	—	2,341	—	—	—	2,341
Net income	—	—	—	19,942	65	20,007
Other comprehensive income	—	—	204	—	2	206
Balances, September 30, 2017	$ 18,114	$ 270,762	$ (1,275)	$ 7,544	$ 1,713	$ 296,858

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash flows from operating activities:		
Net income	$ 20,007	$ 20,067
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of real estate, net	(9,837)	(9,824)
Gain on available-for-sale securities	—	(27)
Prepayment costs on debt	—	577
Impairment loss	153	—
Increase in unbilled rent receivable	(509)	(1,757)
Write-off of unbilled rent receivable	362	7
Bad debt expense	310	190
Amortization and write-off of intangibles relating to leases, net	(654)	(465)
Amortization of restricted stock expense	2,341	2,176
Equity in earnings of unconsolidated joint ventures	(663)	(794)
Distributions of earnings from unconsolidated joint ventures	584	755
Depreciation and amortization	15,858	13,246
Amortization and write-off of deferred financing costs	717	644
Payment of leasing commissions	(67)	(1,041)
Decrease (increase) in escrow, deposits, other assets and receivables	165	(1,153)
Increase (decrease) in accrued expenses and other liabilities	1,377	(121)
Net cash provided by operating activities	30,144	22,480
Cash flows from investing activities:		
Purchase of real estate	(35,443)	(118,589)
Improvements to real estate	(2,321)	(3,900)
Net proceeds from sale of real estate	24,093	40,207
Net proceeds from sale of available-for-sale securities	—	33
Distributions of capital from unconsolidated joint ventures	298	305
Net cash used in investing activities	(13,373)	(81,944)
Cash flows from financing activities:		
Scheduled amortization payments of mortgages payable	(7,808)	(6,621)
Repayment of mortgages payable	(11,541)	(38,115)
Proceeds from mortgage financings	21,210	111,102
Proceeds from sale of common stock, net	3,067	14,297
Proceeds from bank line of credit	34,500	86,000
Repayment on bank line of credit	(38,100)	(81,450)
Issuance of shares through dividend reinvestment plan	3,357	2,188
Payment of financing costs	(150)	(1,260)
Prepayment costs on debt	—	(577)
Capital contributions from non-controlling interests	—	30
Distributions to non-controlling interests	(148)	(236)
Cash distributions to common stockholders	(23,652)	(20,985)
Net cash (used in) provided by financing activities	(19,265)	64,373
Net (decrease) increase in cash and cash equivalents	(2,494)	4,909
Cash and cash equivalents at beginning of year	17,420	12,736
Cash and cash equivalents at end of period	$ 14,926	$ 17,645

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

	Nine Months Ended September 30,	
	2017	**2016**
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest expense	$ 13,350	$ 12,590
Cash paid during the period for income taxes	63	45
Cash paid during the period for Federal excise tax	—	190
Supplemental schedule of non-cash investing activities:		
Purchase accounting allocation — intangible lease assets	$ 4,009	$ 8,194
Purchase accounting allocation — intangible lease liabilities	(158)	(6,288)

See accompanying notes to consolidated financial statements.

One Liberty Properties, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2017

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 retail, industrial, restaurant, health and fitness, and theater properties, many of which are subject to long-term net leases. As of September 30, 2017, OLP owns 119 properties, including six properties owned by consolidated joint ventures and five properties owned by unconsolidated joint ventures. The 119 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, 2017 and 2016 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, 2016.

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.

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.

Note 2 — Summary Accounting Policies (Continued)

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. Additionally, the Company assesses the accounting treatment for any interests pursuant to which the Company may have a variable interest as a lessor. 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. Leases may contain certain protective rights, such as the right of sale and the receipt of certain escrow deposits. 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, and (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.

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 periodically reviews 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, 2017 and 2016, there was no impairment charge 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 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.

One Liberty Properties, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2017 (Continued)

Note 2 — Summary Accounting Policies (Continued)

Reclassifications

Certain amounts previously reported in the consolidated financial statements have been reclassified in the accompanying consolidated financial statements to conform to the current period's presentation, primarily to change the presentation of Gain on sale of real estate, net on the consolidated statement of operations for the three and nine months ended September 30, 2016. The Company has included a caption for Income before gain on sale of real estate, net, to present gain and losses on sales of properties in accordance with the Securities and Exchange Commission Rule 3-15(a) of Regulation S-X. The change was made for the three and nine months ended September 30, 2016 because, as prescribed by ASC 360-10-45-5, such gains from sale of real estate were not included as a component of Operating income. Such change was determined to be immaterial to the consolidated financial statements.

Note 3 — 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. Unvested restricted stock is not allocated net losses; such losses are allocated entirely to the common stockholders, other than the holders of unvested restricted stock. As of September 30, 2017, the shares of common stock underlying the restricted stock units awarded under the 2016 Incentive Plan are excluded from the basic earnings per share calculation, as these units are not participating securities. The restricted stock units issued pursuant to the 2009 and 2016 Incentive Plans are referred to as "RSUs".

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.

See Note 13 for information regarding the Company's equity incentive plans.

Note 3 — Earnings Per Common Share (Continued)

The diluted weighted average number of shares of common stock includes common stock underlying the RSUs awarded under the plans identified in the table below:

	Number of underlying shares	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
2009 Incentive Plan	200,000	(a)	117,000	(a)	117,000
2016 Incentive Plan	76,250	38,125(b)	—	38,125(b)	—

(a) RSUs with respect to 113,584 shares vested on June 30, 2017 and such shares were issued in August 2017.
(b) Includes 38,125 shares that would be issued pursuant to a return on capital performance metric, assuming the end of the quarterly period was the June 30, 2020 vesting date. None of the remaining 38,125 shares (of a total of 76,250 that were awarded on September 26, 2017) are included as the applicable total stockholder return metric has not been met for these shares.

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, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Numerator for basic and diluted earnings per share:				
Net income	$ 7,128	$ 4,323	$ 20,007	$ 20,067
Less net income attributable to non-controlling interests	(23)	(24)	(65)	(40)
Less earnings allocated to unvested restricted stock (a)	(263)	(248)	(796)	(744)
Net income available for common stockholders, basic and diluted	$ 6,842	$ 4,051	$ 19,146	$ 19,283
Denominator for basic earnings per share:				
Weighted average common shares	18,000	16,845	17,859	16,605
Effect of diluted securities:				
RSUs	79	117	102	117
Denominator for diluted earnings per share:				
Weighted average shares	18,079	16,962	17,961	16,722
Earnings per common share, basic	$ .38	$ .24	$ 1.07	$ 1.16
Earnings per common share, diluted	$ .38	$ .24	$ 1.07	$ 1.15
Net income attributable to One Liberty Properties, Inc. common stockholders, net of non-controlling interests	$ 7,105	$ 4,299	$ 19,942	$ 20,027

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

Note 4 — Real Estate Acquisitions

In January 2017, the Company adopted ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which requires an entity to evaluate 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 not a business. The Company analyzed the real estate acquisitions made during the nine months ended September 30, 2017 and determined the gross assets acquired are concentrated in a single identifiable asset. Therefore, the transactions do not meet the definition of a business and are accounted for as asset acquisitions. In accordance with this guidance, direct transaction costs associated with these asset acquisitions have been capitalized to real estate assets and depreciated over the respective useful lives.

The following chart details the Company's acquisitions of real estate during the nine months ended September 30, 2017 (amounts in thousands):

Description of Property	Date Acquired	Contract Purchase Price	Terms of Payment	Third Party Real Estate Acquisition Costs (a)
Forbo industrial facility, Huntersville, North Carolina	May 25, 2017	$ 8,700	Cash and $5,190 mortgage (b)	$ 65
Saddle Creek Logistics industrial facility, Pittston, Pennsylvania	June 9, 2017	11,750	All cash (c)	199
Corporate Woods industrial facility, Ankeny, Iowa	June 20, 2017	14,700	All cash (d)	29
Totals		$ 35,150		$ 293

(a) Transaction costs incurred with these asset acquisitions were capitalized.
(b) The new mortgage debt was obtained simultaneously with the acquisition of the property.
(c) In August 2017, the Company obtained new mortgage debt of $7,200.
(d) In July 2017, the Company obtained new mortgage debt of $8,820.

The following chart details the allocation of the purchase price for the Company's acquisitions of real estate during the nine months ended September 30, 2017 (amounts in thousands):

Description of Property	Land	Building	Building Improvements	Intangible Lease Asset	Intangible Lease Liability	Total
Forbo industrial facility, Huntersville, North Carolina	$ 1,045	$ 6,446	$ 222	$ 1,052	$ —	$ 8,765
Saddle Creek Logistics industrial facility, Pittston, Pennsylvania	999	9,675	247	1,028	—	11,949
Corporate Woods industrial facility, Ankeny, Iowa	1,351	11,420	187	1,929	(158)	14,729
Totals	$ 3,395	$ 27,541	$ 656	$ 4,009	$ (158)	$ 35,443

Note 4 — Real Estate Acquisitions (Continued)

As of September 30, 2017, the weighted average amortization for the 2017 acquisitions is 7.0 years and 12.4 years for the intangible lease assets and intangible lease liabilities, respectively. The Company assessed the fair value of the lease intangibles based on estimated cash flow projections that utilize appropriate discount rates and available market information. Such inputs are Level 3 (as defined in Note 14) in the fair value hierarchy.

Property Acquisition Subsequent to September 30, 2017

On October 10, 2017, the Company acquired, in a sale-leaseback transaction, a distribution facility/corporate headquarters, located in Memphis, Tennessee for $8 million. The initial term of the lease is ten years.

Note 5 — Sale of Properties

The following chart details the Company's sales of real estate during the nine months ended September 30, 2017 and 2016 (amounts in thousands):

Description of Property	Date Sold	Gross Sales Price	Gain on Sale of Real Estate, Net
Retail property, Greenwood Village, Colorado	May 8, 2017	$ 9,500	$ 6,568
Retail property, Kansas City, Missouri (a)	July 14, 2017	10,250	2,180
Retail property, Niles, Illinois	August 31, 2017	5,000	1,089
Totals — nine months ended September 30, 2017		$ 24,750	$ 9,837
Portfolio of eight retail properties, Louisiana and Mississippi	February 1, 2016	$ 13,750	$ 787
Retail property, Killeen, Texas	May 19, 2016	3,100	980
Land, Sandy Springs, Georgia	June 15, 2016	8,808	2,281
Industrial property, Tomlinson, Pennsylvania	June 30, 2016	14,800	5,660
Partial condemnation of land, Greenwood Village, Colorado	July 5, 2016	153	116
Totals — nine months ended September 30, 2016		$ 40,611	$ 9,824

(a) See Note 14 for information on the payoff of the mortgage on this property and the early termination of the interest rate swap derivative.

One Liberty Properties, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2017 (Continued)

Note 6 — Variable Interest Entities, Contingent Liabilities and Consolidated Joint Ventures

Variable Interest Entities — Ground Leases

The Company determined that with respect to the properties identified in the table below, it has a variable interest through its ground leases and the three owner/operators (which are affiliated with one another) are VIEs because their 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 any of these VIEs because the Company has shared power over certain activities that most significantly impact the owner/operator's economic performance (*i.e.*, shared rights on the sale of the property) and therefore, does not consolidate these VIEs for financial statement purposes. Accordingly, the Company accounts for these investments as land and the revenues from the ground leases as Rental income, net. Such rental income amounted to $954,000 and $2,758,000 for the three and nine months ended September 30, 2017, respectively, and $663,000 and $1,525,000 for the three and nine months ended September 30, 2016, respectively. Included in these amounts, for the three and nine months ended September 30, 2016, is rental income for a similarly structured transaction for a property located in Sandy Springs, Georgia, amounting to $0 and $308,000, respectively, which the Company sold in June 2016 (see Note 5).

The following chart details the VIEs through the Company's ground leases and the aggregate carrying amount and maximum exposure to loss as of September 30, 2017 (dollars in thousands):

Description of Property(a)	Date Acquired	Land Contract Purchase Price	# Units in Apartment Complex	Owner/ Operator Mortgage from Third Party(b)	Type of Exposure	Carrying Amount and Maximum Exposure to Loss
The Meadows Apartments, Lakemoor, Illinois	March 24, 2015	$ 9,300	496	$ 43,824	Land	$ 9,592
The Briarbrook Village Apartments, Wheaton, Illinois	August 2, 2016	10,530	342	39,411	Land	10,536
The Vue Apartments, Beachwood, Ohio	August 16, 2016	13,896	348	67,444	Land	13,901
Totals		$ 33,726	1,186	$ 150,679		$ 34,029

(a) Simultaneously with each purchase, the Company entered into a triple net ground lease with affiliates of Strategic Properties of North America, the owner/operators of these properties.

(b) Simultaneously with the closing of each acquisition, the owner/operator obtained a mortgage from a third party which, together with the Company's purchase of the land, provided substantially all of the aggregate funds to acquire the complex. The Company provided its land as collateral for the respective owner/operator's mortgage loans; accordingly, each land position is subordinated to the applicable mortgage. Other than as described above, no other financial support has been provided by the Company to the owner/operator.

Note 6 — Variable Interest Entities, Contingent Liabilities and Consolidated Joint Ventures (Continued)

Pursuant to the terms of the ground lease for the Wheaton, Illinois property, the owner/operator is obligated to make certain unit renovations as and when units become vacant. Cash reserves to cover such renovation work, received by the Company in conjunction with the purchase of the property, are disbursed when the unit renovations are completed. The related cash reserve balance for this property was $530,000 and $643,000 at September 30, 2017 and December 31, 2016, respectively, and is included in Restricted cash on the consolidated balance sheets.

Variable Interest Entity — Consolidated Joint Ventures

With respect to the six consolidated joint ventures in which the Company holds between an 85% to 95% interest, the Company has determined such ventures are VIEs because the non-controlling interests do not hold substantive kick-out or participating rights.

In each of these six joint ventures, the Company has determined it is the primary beneficiary of the VIE 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 joint ventures for financial statement purposes. The joint ventures' creditors do not have recourse to the assets of the Company other than those held by these joint ventures.

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, 2017	**December 31, 2016**
Land	$ 17,844	$ 17,844
Buildings and improvements, net of accumulated depreciation of $3,536 and $2,732, respectively	32,061	32,535
Cash	1,053	1,796
Unbilled rent receivable	870	775
Unamortized intangible lease assets, net	1,315	1,595
Escrow, deposits and other assets and receivables	910	1,355
Mortgages payable, net of unamortized deferred financing costs of $462 and $539, respectively	32,478	33,121
Accrued expenses and other liabilities	1,004	893
Unamortized intangible lease liabilities, net	2,061	2,200
Accumulated other comprehensive loss	(49)	(70)
Non-controlling interests in consolidated joint ventures	1,713	1,794

Note 6 — Variable Interest Entities, Contingent Liabilities and Consolidated Joint Ventures (Continued)

At September 30, 2017, MCB Real Estate, LLC and its affiliates (‘‘MCB’’) are the Company’s joint venture partner in four consolidated joint ventures in which the Company has an aggregate equity investment of approximately $9,469,000. The Company’s equity investment in its two other consolidated joint ventures is approximately $7,378,000.

Distributions to each joint venture partner are determined pursuant to the applicable operating agreement and may not be pro rata to the equity interest each partner has in the applicable venture.

Note 7 — Investment in Unconsolidated Joint Ventures

At September 30, 2017 and December 31, 2016, the Company’s five unconsolidated joint ventures each owned and operated one property. The Company’s equity investment in such unconsolidated joint ventures at such dates totaled $10,648,000 and $10,833,000, respectively. The Company recorded equity in earnings of $212,000 and $663,000 for the three and nine months ended September 30, 2017, respectively, and $228,000 and $794,000 for the three and nine months ended September 30, 2016, respectively.

At September 30, 2017, MCB is the Company’s joint venture partner in one of these unconsolidated joint ventures in which the Company has an equity investment of $8,171,000.

Note 8 — Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of a tenant to make required rent and other payments. If the financial condition of a specific tenant were to deteriorate, adversely impacting its ability to make payments, allowances may be required. At September 30, 2017 and December 31, 2016, there was no balance in allowance for doubtful accounts.

The Company records bad debt expense as a reduction of rental income and/or tenant reimbursements.

The Company recorded bad debt expense of $310,000 during the nine months ended September 30, 2017. Such bad debt expense related to rental income and tenant reimbursements due from tenants at four properties that filed for Chapter 11 bankruptcy protection. The Company sold one of these properties, located in Niles, Illinois, in August 2017 (see Note 5). Each tenant accounted for less than 1.2% of rental income for each of the three and nine months ended September 30, 2017 and 2016. In addition, during the nine months ended September 30, 2017, the Company wrote-off (i) $362,000 of unbilled straight-line rent receivable and $67,000 of unamortized intangible lease assets as a reduction to rental income and (ii) $884,000 of tenant origination costs as an increase to depreciation expense related to these tenants. Except with respect to its property located in Ann Arbor, Michigan (discussed below), the Company has determined that no impairment charge is required with respect to the two other properties, which at September 30, 2017, had an aggregate net book value of $2,382,000. There was no bad debt expense in the three months ended September 30, 2017.

The Company recorded bad debt expense of $190,000 during the nine months ended September 30, 2016, respectively, related to rental income and tenant reimbursements due from Sports Authority, the former tenant at its Greenwood Village, Colorado property, that filed for Chapter 11 bankruptcy in March 2016. This tenant accounted for less than 1% of the Company's rental income for the three and nine months ended September 30, 2016. The Company sold this property in May 2017 (see Note 5). There was no bad debt expense in the three months ended September 30, 2016.

Impairment Loss

As of September 30, 2017, the Company determined that it was more likely than not that its property formerly tenanted by Joe's Crab Shack, located in Ann Arbor, Michigan would be disposed of before the end of its previously estimated useful life. Subsequent to September 30, 2017 the Company entered into a contract to sell the property. As the sales price is less than the book value, the Company determined that the property is impaired and recorded an impairment loss of $153,000 representing the difference between the expected net sales price and the net book value as of September 30, 2017.

Note 9 — Debt Obligations

Mortgages Payable

The following table details the Mortgages payable, net, balances per the consolidated balance sheets at September 30, 2017 and December 31, 2016 (amounts in thousands):

	September 30, 2017	December 31, 2016
Mortgages payable, gross	$ 401,053	$ 399,192
Unamortized deferred financing costs	(3,960)	(4,294)
Mortgages payable, net	$ 397,093	$ 394,898

Line of Credit

The Company has a credit facility with Manufacturers & Traders Trust Company, People's United Bank, VNB New York, LLC, and Bank Leumi USA, pursuant to which the Company may borrow up to $100,000,000, subject to borrowing base requirements. The facility, which matures December 31, 2019, provides that the Company pay an interest rate equal to the one month LIBOR rate plus an applicable margin ranging from 175 basis points to 300 basis points depending on the ratio of the Company's total debt to total value, as determined pursuant to the facility. At September 30, 2017 and 2016, the applicable margin was 175 basis points. An unused facility fee of .25% per annum applies to the facility. The average interest rate on the facility was approximately 2.83% and 2.20% for the nine months ended September 30, 2017 and 2016, respectively. The Company was in compliance with all covenants at September 30, 2017.

The following table details the Line of credit, net, balances per the consolidated balance sheets at September 30, 2017 and December 31, 2016 (amounts in thousands):

	September 30, 2017	December 31, 2016
Line of credit, gross	$ 6,400	$ 10,000
Unamortized deferred financing costs	(702)	(936)
Line of credit, net	$ 5,698	$ 9,064

At November 3, 2017, there was an outstanding balance of $13,400,000 (before unamortized deferred financing costs) under the facility.

Note 10 — Related Party Transactions

Compensation and Services Agreement

Pursuant to the compensation and services agreement with Majestic Property Management Corp. (''Majestic''), the Company pays fees to Majestic and Majestic provides to the Company the services of all affiliated executive, administrative, legal, accounting, clerical and property management personnel, as well as property acquisition, sale and lease consulting and brokerage services, consulting services with respect to mortgage financings and construction supervisory services. Majestic is wholly-owned by the Company's vice-chairman and certain of the Company's executive officers are officers of, and are compensated by, Majestic. The fee the Company pays Majestic is negotiated each year by Majestic and the Compensation and Audit Committees of the Company's Board of Directors, and is approved by such committees and the independent directors.

In consideration for the services described above, the Company paid Majestic $667,000 and $1,996,000 for the three and nine months ended September 30, 2017, respectively and $629,000 and $1,855,000 for the three and nine months ended September 30, 2016, respectively. Included in these fees are $287,000 and $857,000 of property management costs for the three and nine months ended September 30, 2017, respectively, and $267,000 and $770,000 for the three and nine months ended September 30, 2016, respectively. The property management fee portion of the compensation and services agreement is paid 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 property management fees with respect to properties managed by third parties. Majestic credits against the fees due to it under the compensation and services agreement any management or other fees received by it from any joint venture in which the Company is a joint venture partner. The compensation and services agreement also provides for an additional payment to Majestic of $54,000 and $162,000 for the three and nine months ended September 30, 2017, respectively, and $49,000 and $147,000 for the three and nine months ended September 30, 2016, respectively, for the Company's share of all direct office expenses, including rent, telephone, postage, computer services, internet usage and supplies. The Company does not pay any fees or expenses to Majestic for such services except for the fees described in this paragraph.

Executive officers and others providing services to the Company under the compensation and services agreement were awarded shares of restricted stock and RSUs under the Company's stock incentive plans (described in Note 13). The related expense charged to the Company's operations was $361,000 and $1,128,000 for the three and nine months ended September 30, 2017, respectively, and $399,000 and $1,125,000 for the three and nine months ended September 30, 2016, respectively.

The fees paid under the compensation and services agreement (except for the property management fees 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 for the three and nine months ended September 30, 2017 and 2016.

Note 10 — Related Party Transactions (Continued)

Joint Venture Partners and Affiliates

The Company paid an aggregate of $30,000 and $112,000 for the three and nine months ended September 30, 2017, respectively, and $35,000 and $123,000 for the three and nine months ended September 30, 2016, respectively, to its joint venture partners or their affiliates (none of whom are officers, directors or employees of the Company) of its consolidated joint ventures for property management fees, which are included in Real estate expenses on the consolidated statements of income.

The Company's unconsolidated joint ventures paid management fees of $45,000 and $132,000 for the three and nine months ended September 30, 2017, respectively, and $55,000 and $127,000 for the three and nine months ended September 30, 2016, respectively, to the other partner of the venture, which reduced Equity in earnings of unconsolidated joint ventures on the consolidated statements of income by $22,000 and $66,000 for the three and nine months ended September 30, 2017, respectively, and $27,000 and $63,000 for the three and nine months ended September 30, 2016, respectively.

Other

For 2017 and 2016, the Company paid quarterly fees of (i) $69,000 and $65,625 to the Company's chairman, respectively, and (ii) $27,500 and $26,250 to the Company's vice-chairman, respectively. 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 were $782,000 during the three and nine months ended September 30, 2017 and $699,000 during the three and nine months ended September 30, 2016. Included in Real estate expenses on the consolidated statements of income is insurance expense of $204,000 and $551,000 for the three and nine months ended September 30, 2017, respectively, and $169,000 and $371,000 for the three and nine months ended September 30, 2016, respectively. The $470,000 balance of the amounts reimbursed to Gould Investors represents prepaid insurance at September 30, 2017 and is included in Other assets on the consolidated balance sheets.

Note 11 — Common Stock Cash Dividend

On September 13, 2017, the Board of Directors declared a quarterly cash dividend of $.43 per share on the Company's common stock, totaling $8,053,000. The quarterly dividend was paid on October 4, 2017 to stockholders of record on September 25, 2017.

Note 12 — Shares Issued through Equity Offering Program

During the three months ended September 30, 2017, the Company sold 103,196 shares for proceeds of $2,461,000, net of commissions of $25,000, and incurred offering costs of $43,000 for professional fees. During the nine months ended September 30, 2017, the Company sold 135,196 shares for proceeds of $3,252,000, net of commissions of $33,000, and incurred offering costs of $185,000 for professional fees. Subsequent to September 30, 2017, the Company sold 4,197 shares for proceeds of $102,000, net of commissions of $1,000.

Note 13 — Stock Based Compensation

The Company's 2016 Incentive Plan (''Plan''), approved by the Company's stockholders in June 2016, permits 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 is authorized for issuance pursuant to this Plan. As of September 30, 2017, (i) restricted stock awards with respect to 140,100 shares had been issued, of which 100 shares were forfeited and 3,000 shares had vested, and (ii) as further described below, RSUs with respect to 76,250 shares had been issued and are outstanding.

Under the Company's 2012 Incentive Plan, as of September 30, 2017, 500,700 shares had been issued, of which 3,350 shares were forfeited and 21,450 shares had vested. No additional awards may be granted under this plan.

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 on the fifth anniversary of the grant date, and under certain circumstances may vest earlier.

Note 13 — Stock Based Compensation (Continued)

During the quarter ended September 30, 2017, the Company granted RSUs exchangeable for up to 76,250 shares of common stock upon satisfaction, through June 30, 2020, of specified conditions. Specifically, up to 50% of these RSUs vest upon achievement of metrics related to average annual total stockholder return (the "TSR Awards"), which metrics meet the definition of a market condition, and up to 50% vest upon achievement of metrics related to average annual return on capital (the "ROC Awards"), which metrics meet the definition of a performance condition. The holders of the RSUs are not entitled to dividends or to vote the underlying shares until such RSUs vest and shares are issued. Accordingly, the shares underlying these RSUs are not included in the shares shown as outstanding on the balance sheet. For the TSR awards, a third party appraiser prepared a Monte Carlo simulation pricing model to determine the fair value. The Monte Carlo valuation consisted of computing the grant date fair value of the awards using One Liberty's simulated stock price. The per unit or share fair value was estimated using the following assumptions: an expected life of three years, a dividend rate of 7.16%, a risk-free interest rate of 1.14% - 1.64% and an expected price volatility of 16.57% - 19.15%. The expected price volatility was calculated based on the historical volatility and implied volatility. For the ROC awards, the fair value is based on the market value on the date of grant and the performance assumptions are re-evaluated quarterly. Expense is not recognized on the RSUs which the Company does not expect to vest as a result of service conditions or the Company's performance expectations.

The total amount recorded as deferred compensation is $919,000, based on performance and market assumptions and will be charged to General and administrative expense. None of these RSUs were forfeited or vested during the three months ended September 30, 2017.

In 2010, RSUs exchangeable for up to 200,000 shares of common stock were awarded pursuant to the Company's 2009 Incentive Plan. The holders of RSUs were not entitled to dividends or to vote the underlying shares until the RSUs vested and the underlying shares were issued. Accordingly, for financial statement purposes, the shares underlying these RSUs were not included in the shares shown as outstanding on the balance sheet as of December 31, 2016. As of June 30, 2017, 113,584 shares of common stock underlying the RSUs were deemed to have vested and in the quarter ended September 30, 2017, such shares were issued. RSUs with respect to the balance of 86,416 shares were forfeited.

One Liberty Properties, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2017 (Continued)

Note 13 — Stock Based Compensation (Continued)

The following is a summary of the activity of the equity incentive plans:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Restricted stock:				
Number of shares	—	—	140,100	139,225
Average per share grant price	—	—	$ 24.75	$ 21.74
Deferred compensation to be recognized over vesting period	—	—	$ 3,467,000	$ 3,027,000
Number of non-vested shares:				
Non-vested beginning of period	612,900	605,000	591,750	538,755
Grants	—	—	140,100	139,225
Vested during period	—	—	(118,450)	(72,730)
Forfeitures	—	(250)	(500)	(500)
Non-vested end of period	612,900	604,750	612,900	604,750
RSU grants:				
Number of shares	76,250	—	76,250	—
Average per share grant price	$ 24.03	—	$ 24.03	—
Number of non-vested shares:				
Non-vested beginning of period	—	200,000	200,000	200,000
Grants	76,250	—	76,250	—
Vested during period	—	—	(113,584)	—
Forfeitures	—	—	(86,416)	—
Non-vested end of period	76,250	200,000	76,250	200,000
Restricted stock and RSU grants:				
Average per share value of non-vested shares (based on grant price)	$ 22.89	$ 18.00	$ 22.89	$ 18.00
Value of stock vested during the period (based on grant price)	$ —	$ —	$ 3,008,000	$ 1,177,000
Average per share value of shares forfeited during the period (based on grant price)	$ —	$ 21.05	$ 8.37	$ 21.05
The total charge to operations:				
Outstanding restricted stock grants	$ 684,000	$ 639,000	$ 2,255,000	$ 1,930,000
Outstanding RSUs	—	131,000	86,000	246,000
Total charge to operations	$ 684,000	$ 770,000	$ 2,341,000	$ 2,176,000

Note 13 — Stock Based Compensation (Continued)

As of September 30, 2017, total compensation costs of $7,805,000 related to non-vested restricted stock awards and RSUs that 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 vesting period is 2.4 years for the restricted stock and 2.8 years for the RSUs.

Note 14 — 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, restricted cash, escrow, deposits and other assets and receivables (excluding interest rate swaps), 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.

At September 30, 2017, the $414,746,000 estimated fair value of the Company's mortgages payable is greater than their $401,053,000 carrying value (before unamortized deferred financing costs) by approximately $13,693,000 assuming a blended market interest rate of 3.69% based on the 8.9 year weighted average remaining term to maturity of the mortgages. At December 31, 2016, the $413,916,000 estimated fair value of the Company's mortgages payable is greater than their $399,192,000 carrying value (before unamortized deferred financing costs) by approximately $14,724,000 assuming a blended market interest rate of 3.74% based on the 9.3 year weighted average remaining term to maturity of the mortgages.

At September 30, 2017 and December 31, 2016, the carrying amount of the Company's line of credit (before unamortized deferred financing costs) of $6,400,000 and $10,000,000, respectively, approximates its fair value.

The fair value of the Company's mortgages payable and line of credit are 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.

Note 14 — Fair Value Measurements (Continued)

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

The fair value of the Company's derivative financial instruments, using Level 2 inputs, was determined to be the following (amounts in thousands) :

	As of	Carrying and Fair Value
Financial assets:		
Interest rate swaps	September 30, 2017	$ 1,040
	December 31, 2016	1,257
Financial liabilities:		
Interest rate swaps	September 30, 2017	$ 2,310
	December 31, 2016	2,695

The Company does not own any financial instruments that are measured on a recurring basis and that are classified as Level 1 or 3.

The Company's objective in using interest rate swaps is to add stability to interest expense. 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 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 credit valuation adjustments associated with it 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, 2017, 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.

As of September 30, 2017, the Company had entered into 29 interest rate derivatives, all of which were interest rate swaps, related to 29 outstanding mortgage loans with an aggregate $135,251,000 notional amount and mature between 2018 and 2028 (weighted average remaining term to maturity of 7.3 years). Such interest rate swaps, all of which were designated as cash flow hedges, converted LIBOR based variable rate mortgages to fixed annual rate mortgages (with interest rates ranging from 3.02% to 5.38% and a weighted average interest

Note 14 — Fair Value Measurements (Continued)

rate of 4.12% at September 30, 2017). The fair value of the Company's derivatives in asset and liability positions are reflected as other assets or other liabilities on the consolidated balance sheets. During the nine months ended September 30, 2017, the Company discontinued hedge accounting on one of its interest rate swaps (see discussion following the table below).

Three of the Company's unconsolidated joint ventures, in which wholly-owned subsidiaries of the Company are 50% partners, had two interest rate derivatives outstanding at September 30, 2017 with an aggregate $10,556,000 notional amount. These interest rate swaps, which were designated as cash flow hedges, have interest rates of 3.49% and 5.81% and mature in 2022 and 2018, respectively.

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,	
	2017	**2016**	**2017**	**2016**
One Liberty Properties, Inc. and Consolidated subsidiaries				
Amount of (loss) gain recognized on derivatives in Other comprehensive loss	$ (248)	$ 385	$ (1,234)	$ (7,197)
Amount of (loss) reclassification from Accumulated other comprehensive loss into Interest expense	$ (352)	(633)	(1,406)	(2,020)
Unconsolidated Joint Ventures (Company's share)				
Amount of (loss) gain recognized on derivatives in Other comprehensive loss	$ (2)	$ 21	$ (14)	$ (164)
Amount of (loss) reclassification from Accumulated other comprehensive loss into Equity in earnings of unconsolidated joint ventures	(13)	(23)	(48)	(72)

On July 14, 2017, in connection with the sale of a property tenanted by Kohl's and located in Kansas City, Missouri, the Company paid off the mortgage and terminated the related interest rate swap. In June 2017, the Company discontinued hedge accounting on this interest rate swap as the hedged forecasted transaction became probable not to occur. As a result, the Company accelerated the reclassification of $118,000 from accumulated other comprehensive loss to interest expense for the nine months ended September 30, 2017. No gain or loss was recognized with respect to hedge ineffectiveness or to amounts excluded from effectiveness testing on the Company's cash flow hedges for the three months ended September 30, 2017 and the three and nine months ended September 30, 2016.

During the twelve months ending September 30, 2018, the Company estimates an additional $988,000 will be reclassified from other accumulated other comprehensive loss as an increase to interest expense and $26,000 will be reclassified from accumulated other comprehensive loss as a decrease to equity in earnings of unconsolidated joint ventures.

Note 14 — Fair Value Measurements (Continued)

The derivative agreements in effect at September 30, 2017 provide that if the wholly-owned subsidiary of the Company which is a party to the 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, then the Company could be held liable for such swap breakage losses, if any. During the nine months ended September 30, 2016, the Company terminated three interest rate swaps in connection with the early payoff of the related mortgages. As a result of these hedged forecasted transactions being terminated, the Company accelerated the reclassification of $178,000 in accumulated other comprehensive loss to earnings which are included in Prepayment costs on debt on the consolidated statement of income.

As of September 30, 2017, the fair value of the derivatives in a liability position, including accrued interest of $71,000, but excluding any adjustments for nonperformance risk, was approximately $2,516,000. In the event the Company breaches any of the contractual provisions of the derivative contracts, it would be required to settle its obligations thereunder at their termination liability value of $2,516,000. This termination liability value, net of $135,000 adjustments for nonperformance risk, or $2,381,000, is included in Accrued expenses and other liabilities on the consolidated balance sheet at September 30, 2017.

Note 15 — Commitments

The Company is contractually required (i) to expend approximately $7,800,000 through 2018 for building expansion and improvements at its property tenanted by L-3 Communications, located in Hauppauge, New York, of which $1,858,000 has been spent through September 30, 2017, (ii) to reimburse Regal Cinemas, a tenant in Greensboro, North Carolina, $3,000,000 if and when the tenant completes specified improvements to the property and (iii) to reimburse Huttig Building Products, a tenant in Saco, Maine, for up to a maximum of $2,050,000 for building expansion costs by July 31, 2018.

Note 16 — New Accounting Pronouncements

In February 2017, the FASB issued ASU No. 2017-05, *Other Income — Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets,* which clarifies the scope and application on the sale or transfer of nonfinancial assets and in substance nonfinancial assets to noncustomers, including partial sales. The effective date of the standard will be fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact, if any, it may have on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the Emerging Issues Task Force)*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amount generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The effective date of the standard will be fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact, if any, it may have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The guidance replaces the current 'incurred loss' model with an 'expected loss' approach. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted after December 2018. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The effective date of the standard will be fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, and early adoption is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating this new standard. The Company anticipates adopting this guidance January 1, 2019 and will apply the modified retrospective approach.

Note 16 — New Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The standard can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. In July 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delays the effective date of ASU 2014-09 by one year. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. ASU 2014-09, ASU 2015-14 and ASU 2016-08 are herein collectively referred to as the "New Revenue Recognition Standards".

The New Revenue Recognition Standards are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted but not before annual periods beginning after December 15, 2016. The Company anticipates adopting the New Revenue Recognition Standards on January 1, 2018, and applying the cumulative-effect adoption method. Since the Company's revenue is primarily related to leasing activities, management does not anticipate that the adoption of the New Revenue Recognition Standards will have a material impact on the consolidated financial statements.

Note 17 — Subsequent Events

Subsequent events have been evaluated and, except as previously disclosed, there were no other events relative to the Company's 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 contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provision for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "could," "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions or variations thereof. Forward-looking statements should not be relied on since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performance or achievements. Investors are encouraged to review the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2016 under the caption "Item 1A. Risk Factors" for a discussion of certain factors which may cause actual results to differ materially from current expectations and are cautioned not to place undue reliance on any forward-looking statements.

Overview

We are a self-administered and self-managed real estate investment trust, or REIT, incorporated in Maryland in 1982. 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 retail (including furniture stores, supermarkets and office supply stores), industrial, restaurant, health and fitness, and theater properties, many of which are leased under long-term leases. As of September 30, 2017, we own 119 properties (including six properties owned by consolidated joint ventures and five properties owned by unconsolidated joint ventures) located in 31 states. Based on square footage, our occupancy rate at September 30, 2017 is approximately 98.0%.

We face a variety of risks and challenges in our business. We, among other things, face the possibility that (i) we will not be able to acquire accretive properties on acceptable terms, (ii) we will not be able to lease our properties on favorable terms or at all, (iii) our tenants may not be able to pay their rent and comply with other obligations under their leases and (iv) we may not be able to renew or relet, on acceptable terms, leases that are expiring.

We seek to manage the risk of our real property portfolio and the related financing arrangements by diversifying among types of properties, industries, locations, tenants, scheduled lease expirations and lenders. We use interest rate swaps to limit interest rate risk on variable rate mortgages. 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, obtaining other tenant related financial information, regular contact with tenant's representatives, tenant credit checks and regular management reviews of our tenants. We may sell a property if the tenant's financial condition is unsatisfactory.

In acquiring properties, we balance an evaluation of the terms of the leases and the credit of the existing tenants with a fundamental analysis of the real estate to be acquired, which 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.

We are sensitive to the risks facing the retail industry as a result of the growth of e-commerce. Several of our current and former tenants (including Payless ShoeSource, Kmart, hhgregg, Joe's Crab Shack and Pathmark) have experienced or are experiencing financial difficulty and have either sought bankruptcy protection and stopped paying rent or closed stores and may cease paying rent. Several properties leased by former tenants have remained vacant for periods ranging from several months to more than a year and though we do not generate rental income from these properties during such periods, we are responsible for paying the debt service and operating expenses (*e.g.*, real estate taxes, maintenance and insurance) related to these properties. See our Annual Report on Form 10-K for the year ended December 31, 2016 for further information about the challenges facing the retail industry and several of our tenants.

We are addressing our exposure to the retail industry by seeking to acquire properties that we believe capitalize on e-commerce activities, such as distribution and warehouse facilities, and by being especially selective in acquiring retail properties. Approximately 41.0% of our contractual rental income (as described below) is derived from retail tenants (including 9.1%, 3.7% and 3.6% from tenants engaged in retail furniture, supermarkets and office supply activities, respectively) and 35.4%, 5.0%, 4.6%, 3.4% and 10.6% from industrial (*e.g.*, distribution and warehouse facilities), restaurant, health and fitness, theaters and other properties, respectively.

Our contractual rental income is approximately $67.3 million and represents, after giving effect to any abatements, concessions or adjustments, the base rent payable to us during the twelve months ending September 30, 2018 under leases in effect at September 30, 2017. Contractual rental income excludes: (i) approximately $437,000 of straight-line rent and $1.0 million of amortization of intangibles; and (ii) our share of the rental income payable to our unconsolidated joint ventures, which is approximately $2.8 million.

The following table sets forth scheduled lease expirations of leases for our properties as of September 30, 2017 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 Rental Income Under Expiring Leases	Percent of Contractual Rental Income Represented by Expiring Leases
2018	12	202,406	$ 1,320,816	2.0%
2019	17	429,557	3,716,777	5.5
2020	10	114,334	1,671,354	2.5
2021	23	464,285	3,733,784	5.6
2022	24	2,084,708	13,731,680	20.4
2023	12	554,501	3,418,453	5.1
2024	9	505,339	4,399,246	6.5
2025	8	438,032	4,624,095	6.9
2026	9	288,989	4,504,141	6.7
2027	11	885,096	7,409,097	11.0
2028 and thereafter	26	3,057,014	18,740,257(3)	27.8
	161	9,024,261	$ 67,269,700	100.0%

(1) Lease expirations assume tenants do not exercise existing renewal or termination options.
(2) Excludes an aggregate of 183,676 square feet of vacant space.
(3) Includes approximately $1.8 million of contractual rental income related to the property tenanted by L-3 Communications located in Hauppauge, New York, which lease was extended from 2022 to 2033, subject to an agreed upon building expansion and improvements expected to be completed by 2018.

Property Transactions During the Three Months Ended September 30, 2017

On July 14, 2017, we sold a retail property tenanted by Kohl's, located in Kansas City, Missouri, for a sales price of $10.1 million, net of closing costs. Our gain from this sale was $2.2 million. In connection with the sale of this property, we repaid the $3.9 million mortgage balance and due to the early termination of the interest rate swap derivative, incurred interest expense of $118,000 in the nine months ended September 30, 2017.

On August 31, 2017, we sold a vacant retail property formerly tenanted by hhgregg, Inc., located in Niles, Illinois, for $4.8 million, net of closing costs. Our gain from this sale was $1.1 million.

In September 2017, we leased our Philadelphia, Pennsylvania property to a supermarket operator pursuant to a 20 year net lease. Beginning October 1, 2017, the annual rental income from this property will be approximately $473,000. The property was formerly tenanted by Pathmark and had been vacant since September 2015.

Property Acquisition Subsequent to September 30, 2017

On October 10, 2017, we acquired, in a sale-leaseback transaction, a distribution facility/corporate headquarters, located in Memphis, Tennessee for $8 million. The initial term of the lease is ten years and our annual rental income from this property will be approximately $627,000.

Results of Operations

Revenues

The following table compares revenues for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Increase (Decrease)	% Change	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	Increase (Decrease)	% Change
Revenues:								
Rental income, net	$ 17,217	$ 16,334	$ 883	5.4	$ 50,770	$ 46,985	$ 3,785	8.1
Tenant reimbursements	1,920	1,687	233	13.8	5,252	4,614	638	13.8
Total revenues	$ 19,137	$ 18,021	$ 1,116	6.2	$ 56,022	$ 51,599	$ 4,423	8.6

Rental income, net. The increases in the three and nine months ended September 30, 2017 are due primarily to $1.5 million and $5.9 million, respectively, generated by properties acquired in 2017 and 2016. The increase in the nine months ended September 30, 2017 is also due to (i) $267,000 of rental income from a tenant whose lease commenced April 1, 2016 at our Joppa, Maryland property and (ii) $174,000 of annual percentage rent income received from a tenant.

Offsetting the increases are decreases in the three and nine months ended September 30, 2017 of: (i) $64,000 and $1.1 million, respectively, representing the 2016 rental income from properties sold during 2016; (ii) $169,000 and $169,000, respectively, representing the 2016 rental income from properties sold during 2017; (iii) $175,000 and $595,000, respectively (including the $263,000 write-off of the entire balance of straight-line rent in the current nine months), relating to two properties formerly tenanted by hhgregg, which filed for bankruptcy protection in March 2017; (iv) $164,000 and $669,000, respectively, representing the 2016 rental income from two properties formerly leased to Quality Bakery, which lease expired November 2016, and Sports Authority, which was sold May 2017; and (v) $32,000 and $198,000, respectively (including the write-off of the entire balance of straight-line rent and lease intangibles in the current nine months), relating to our properties tenanted by Payless ShoeSource and Joe's Crab Shack. Payless ShoeSource and Joe's Crab Shack filed for bankruptcy protection in April and June 2017, respectively.

Tenant reimbursements. Real estate tax and operating expense reimbursements increased during the three and nine months ended September 30, 2017 due primarily to reimbursements of approximately $270,000 and $811,000, respectively, from properties acquired in 2017 and 2016, offset by decreases of $35,000 and $186,000, respectively, related to two sold properties and two vacant properties. Tenant reimbursements generally relate to real estate expenses incurred in the same period.

Operating Expenses

The following table compares operating expenses for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30, 2017	2016	Increase (Decrease)	% Change	Nine Months Ended September 30, 2017	2016	Increase (Decrease)	% Change
Operating expenses:								
Depreciation and amortization	$ 5,115	$ 4,663	$ 452	9.7	$ 15,858	$ 13,246	$ 2,612	19.7
General and administrative	2,701	2,681	20	.7	8,409	7,961	448	5.6
Real estate expenses	2,689	2,188	501	22.9	7,765	6,521	1,244	19.1
Real estate acquisition costs	—	162	(162)	(100.0)	—	610	(610)	(100.0)
Federal excise and state taxes	90	43	47	109.3	401	198	203	102.5
Leasehold rent	77	77	—	—	231	231	—	—
Impairment loss	153	—	153	n/a	153	—	153	n/a
Total operating expenses	10,825	9,814	1,011	10.3	32,817	28,767	4,050	14.1
Operating income	$ 8,312	$ 8,207	$ 105	1.3	$ 23,205	$ 22,832	$ 373	1.6

Depreciation and amortization. The increases for the three and nine months ended September 30, 2017 are due primarily to $591,000 and $2.0 million, respectively, of depreciation expense on the properties acquired in 2016 and 2017. The nine months ended September 30, 2017 also includes an aggregate $884,000 of write-offs of tenant origination costs related to the hhgregg and Joe's Crab Shack properties. The increase in depreciation expense in the three and nine months ended September 30, 2017 was offset by $118,000 and $292,000, respectively, due to the sales of properties in 2016 and 2017.

General and administrative. The increase in the nine months ended September 30, 2017 was due primarily to increases of: (i) $166,000 in non-cash compensation expense related to the accelerated vesting of restricted stock; (ii) $144,000 in compensation expense primarily due to higher compensation levels; and (iii) $138,000 for other miscellaneous expenses, none of which was individually significant.

Real estate expenses. The increases in the three and nine months ended September 30, 2017 are due primarily to increases of $252,000 and $843,000, respectively, from properties acquired in 2016 and 2017; substantially all these expenses are rebilled to tenants and are included in Tenant reimbursements. Also contributing to the increases in the three and nine months ended September 30, 2017 were $165,000 and $647,000, respectively, of expenses related to the vacant properties formerly tenanted by Quality Bakery and hhgregg. These increases were offset by decreases in the three and nine months ended September 30, 2017, of, among other things, $50,000 and $200,000, respectively, of expenses related to the vacant property formerly tenanted by Sports Authority, which was sold in May 2017.

Real estate acquisition costs. The expense in the three and nine months ended September 30, 2016 primarily relate to the purchase of properties during those periods. As a result of the adoption of ASU 2017-01 in January 2017, the real estate acquisitions during the current year were considered asset acquisitions and, as such, acquisition costs of $293,000 were capitalized to the related real estate assets and not expensed.

Federal excise and state taxes. The increase in the three and nine months ended September 30, 2017 primarily relates to state franchise tax resulting from the 2016 purchase of a property located in Tennessee.

Impairment loss. Subsequent to September 30, 2017, we entered into a contract to sell our property formerly tenanted by Joe's Crab Shack in Ann Arbor, Michigan. In connection therewith, we recorded an impairment loss of $153,000 representing the difference between the expected net sales price and the net book value of this property at September 30, 2017.

Other Income and Expenses

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
(Dollars in thousands)	**2017**	**2016**	**Increase (Decrease)**	**% Change**	**2017**	**2016**	**Increase (Decrease)**	**% Change**
Other income and expenses:								
Equity in earnings of unconsolidated joint ventures	$ 212	$ 228	$ (16)	(7.0)	$ 663	$ 794	$ (131)	(16.5)
Prepayment costs on debt	—	—	—	—	—	(577)	577	(100.0)
Other income	57	362	(305)	(84.3)	399	431	(32)	(7.4)
Interest:								
Expense	(4,459)	(4,404)	(55)	1.2	(13,380)	(12,593)	(787)	(6.2)
Amortization and write-off of deferred financing costs	(263)	(189)	(74)	39.2	(717)	(644)	(73)	(11.3)

Equity in earnings of unconsolidated joint ventures. The income in the nine months ended September 30, 2016 includes our 50% share, or $146,000, of income obtained for permanent utility easements granted at two properties. There was no such income during 2017.

Prepayment costs on debt. These costs were incurred in connection with the property sales and the payoff, prior to the stated maturity, of the related mortgage debt in 2016, primarily relating to the sales of several properties.

Other income. The nine months ended September 30, 2017 includes $243,000 paid to us by a former tenant in connection with the resolution of a dispute, and $74,000 that we received for easements on a sold property. The three and nine months ended September 30, 2016 includes $356,000 that we received for such easements.

Interest expense. The following table details the components of interest expense for the periods indicated:

	Three Months Ended September 30,				Nine Months Ended September 30,			
(Dollars in thousands)	**2017**	**2016**	**Increase (Decrease)**	**% Change**	**2017**	**2016**	**Increase (Decrease)**	**% Change**
Interest expense:								
Credit line interest	$ 139	$ 121	$ 18	14.9	$ 360	$ 439	$ (79)	(18.0)
Mortgage interest	4,320	4,283	37	.9	13,020	12,154	866	7.1
Total	$ 4,459	$ 4,404	$ 55	1.2	$13,380	$ 12,593	$ 787	6.2

Credit line interest

The decrease in the nine months ended September 30, 2017 is due to a decrease of $11.1 million in the weighted average balance outstanding under our line of credit, offset by a 63 basis point increase in the average interest rate, as well as an increase of $67,000 in the unused facility fee resulting from the $25 million increase in our borrowing capacity under the facility.

Mortgage interest

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
(Dollars in thousands)	2017	2016	Increase (Decrease)	% Change	2017	2016	Increase (Decrease)	% Change
Average interest rate on mortgage debt	4.31%	4.56%	(.25)%	(5.5)%	4.31%	4.65%	(.34)%	(7.3)%
Average principal amount of mortgage debt	$ 401,384	$ 375,770	$ 25,614	6.8%	$ 399,316	$ 350,287	$ 49,029	14.0%

The increases in the three and nine months ended September 30, 2017 in mortgage interest expense are due to the increases in the average principal amount of mortgage debt outstanding, offset by decreases in the average interest rate thereon. The increase in the average balance outstanding is substantially due to the incurrence of mortgage debt in 2016 and 2017 of $72.9 million in connection with properties acquired in 2016 and 2017 and the financing or refinancing of $51.5 million of mortgage debt, net of refinanced amounts, in connection with properties acquired prior to 2016. The decrease in the average interest rate is due to the financing (including financings effectuated in connection with acquisitions) or refinancing in 2016 and 2017 of $158.8 million of gross mortgage debt (including $34.4 million of refinanced amounts) with an average interest rate of approximately 3.7%. Mortgage interest expense also increased in the nine months ended September 30, 2017 by $118,000 due to the payoff of a mortgage and early termination of an interest rate swap in connection with the sale of the property tenanted by Kohl's in July 2017.

Gain on sale of real estate, net.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
(Dollars in thousands)	2017	2016	Increase (Decrease)	% Change	2017	2016	Increase (Decrease)	% Change
Gain on sale of real estate, net	$ 3,269	$ 119	$ 3,150	2,647	$ 9,837	$ 9,824	$ 13	.1

The gain in the three and nine months ended September 30, 2017 was realized from the sales of the Kohl's property in Kansas City, Missouri and the former hhgregg property in Niles, Illinois. The gain in the nine months ended September 30, 2017 was also realized from the sale of the Greenwood Village, Colorado property in May 2017. The gain in the nine months ended September 30, 2016 was realized from the sales of several properties.

Liquidity and Capital Resources

Our sources of liquidity and capital are cash flow from operations, cash and cash equivalents, borrowings under our revolving credit facility, refinancing existing mortgage loans, obtaining mortgage loans secured by our unencumbered properties, issuance of equity securities and property sales. Our available liquidity at November 3, 2017, was $99.3 million, including $12.7 million of cash and cash equivalents (net of the credit facility's required $3.0 million deposit maintenance balance) and, subject to borrowing base requirements, up to $86.6 million available under our revolving credit facility.

Liquidity and Financing

We expect to meet our (i) operating cash requirements (including debt service and dividends) principally from cash flow from operations and (ii) capital requirements, including an estimated $11.0 million of building expansion and improvements at several properties, from cash flow from operations, our available cash and cash equivalents and, to the extent permitted, our credit facility.

At September 30, 2017, excluding mortgage indebtedness of our unconsolidated joint ventures, we had 72 outstanding mortgages payable secured by 89 properties, in the aggregate principal amount of $401.1 million (before netting unamortized deferred financing costs). These mortgages represent first liens on individual real estate investments with an aggregate carrying value of $629.8 million, before accumulated depreciation of $81.4 million. After giving effect to interest rate swap agreements, the mortgage payments bear interest at fixed rates ranging from 3.02% to 7.81% (a 4.22% weighted average interest rate) and mature between 2017 and 2042 (an 8.9 year weighted average remaining term to maturity).

The following table sets forth, as of September 30, 2017, information with respect to our mortgage debt that is payable from October 1, 2017 through December 31, 2020 (excluding our unconsolidated joint ventures):

(Dollars in thousands)	2017	2018	2019	2020	Total
Amortization payments	$ 2,344	$ 10,583	$ 11,079	$ 11,858	$ 35,864
Principal due at maturity	4,435	10,260	3,485	—	18,180
Total	$ 6,779	$ 20,843	$ 14,564	$ 11,858	$ 54,044

At September 30, 2017, our unconsolidated joint ventures had first mortgages on four properties with outstanding balances aggregating $35.3 million, bearing interest at rates ranging from 3.49% to 5.81% (i.e., a 4.07% weighted average interest rate) and maturing between 2018 and 2025.

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 payoff the mortgage loans which mature in 2017 through 2020. We intend to repay the amounts not refinanced or extended from our existing funds and sources of funds, including our available cash 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, since each of our encumbered properties is subject to a non-recourse mortgage (with standard carve-outs), if our in-house evaluation of the market value of such property is less than the principal balance outstanding on the mortgage loan, we may determine to convey, in certain circumstances, such property to the mortgagee in order 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

Subject to borrowing base requirements, we can borrow up to $100 million pursuant to our revolving credit facility which is available to us for the acquisition of commercial real estate, repayment of mortgage debt, property improvements and general working capital purposes; provided, that if used for property improvements and working capital purposes, the amount outstanding for such purposes will not exceed the lesser of $15 million and 15% of the borrowing base and if used for working capital purposes, will not exceed $10 million. The facility matures December 31, 2019 and bears interest equal to the one month LIBOR rate 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 300 basis points if such ratio is greater than 65%. The applicable margin was 175 basis points at September 30, 2017 and 2016 and at September 30, 2017, the interest rate was 2.985%. There is an unused facility fee of 0.25% per annum on the difference between the outstanding loan balance and $100 million. The credit facility requires the maintenance of $3 million in average deposit balances.

The terms of our revolving credit facility include certain restrictions and covenants which 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, 2017, we were in compliance with the covenants under this facility.

Statement of Cash Flows

The following discussion of our cash flows is based on the consolidated statements of cash flows and is not meant to be a comprehensive discussion of the changes in our cash flows for the periods presented.

	Nine Months Ended September 30,	
(Amounts in thousands)	**2017**	**2016**
Cash flow provided by operating activities	$ 30,144	$ 22,480
Cash flow used in investing activities	(13,373)	(81,944)
Cash flow (used in) provided by financing activities	(19,265)	64,373
Net (decrease) increase in cash and cash equivalents	(2,494)	4,909
Cash and cash equivalents at beginning of year	17,420	12,736
Cash and cash equivalents at end of period	$ 14,926	$ 17,645

Our principal source of operating cash flow is the net funds generated from the operation of our properties. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund quarterly dividend requirements.

The decrease in cash used in investing activities during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 is due primarily to the decrease in purchases of real estate in 2017, offset in part by the decrease in net proceeds from sales of real estate in 2017.

The increase in cash flow used in financing activities during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 is due primarily to the net decrease of $63.3 million in financings/repayments of mortgages payable and to a lesser extent, the net increase of $8.2 million in repayments (net of proceeds from drawdowns) on the credit facility in the nine months ended September 30, 2017. The increase in cash flow used in financing activities also resulted from a $11.2 million decrease in net proceeds from the sale of common stock in the current nine month period.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements other than with respect to our properties located in Lakemoor and Wheaton, Illinois and Beachwood, Ohio. These properties are ground leases improved by multi-family properties and generated $2.8 million of rental income during the nine months ended September 30, 2017. At September 30, 2017, our maximum exposure to loss with respect to these properties is $34.0 million, representing the carrying value of the land; such leasehold positions are subordinate to an aggregate of $150.7 million of mortgage debt incurred by our tenants, the owner/operators of the multi-family properties. These owner/operators are affiliated with one another. We do not believe this type of off-balance sheet arrangement has been or will be material to our liquidity and capital resource positions. See Note 6 to our consolidated financial statements for additional information regarding these arrangements.

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 (computed in accordance with generally accepting accounting principles), excluding gains (or losses) from sales of property, plus real estate depreciation and amortization (including amortization of deferred leasing costs), plus impairment write-downs of depreciable real estate and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations 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 our straight-line rent accruals and amortization of lease intangibles, deducting lease termination fees and gain on extinguishment of debt and adding back amortization of restricted stock compensation, amortization of costs in connection with our financing activities (including our share of our unconsolidated joint ventures) and debt prepayment costs. Since the NAREIT White Paper does not provide guidelines for computing AFFO, the computation of AFFO may vary 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 table below provides a reconciliation of net income in accordance with GAAP to FFO and AFFO for the periods indicated (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
GAAP net income attributable to One Liberty Properties, Inc.	$ 7,105	$ 4,299	$ 19,942	$ 20,027
Add: depreciation and amortization of properties	5,036	4,583	15,621	13,026
Add: our share of depreciation and amortization of unconsolidated joint ventures	215	223	656	670
Add: impairment loss	153	—	153	—
Add: amortization of deferred leasing costs	79	80	237	220
Add: Federal excise tax relating to gain on sale	—	—	—	6
Deduct: gain on sale of real estate	(3,269)	(119)	(9,837)	(9,824)
Adjustments for non-controlling interests	(34)	(36)	(103)	(108)
NAREIT funds from operations applicable to common stock	9,285	9,030	26,669	24,017
Deduct: straight-line rent accruals and amortization of lease intangibles	(397)	(788)	(802)	(2,215)
Add: our share of straight-line rent accruals and amortization of lease intangibles of unconsolidated joint ventures	10	13	27	36
Add: amortization of restricted stock compensation	684	770	2,341	2,176
Add: prepayment costs on debt	—	—	—	577
Add: amortization and write-off of deferred financing costs	263	189	717	644
Add: our share of amortization and write-off of deferred financing costs of unconsolidated joint ventures	6	7	19	19
Adjustments for non-controlling interests	5	17	13	37
Adjusted funds from operations applicable to common stock	$ 9,856	$ 9,238	$ 28,984	$ 25,291

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The table below provides a reconciliation of net income per common share (on a diluted basis) in accordance with GAAP to FFO and AFFO:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
GAAP net income attributable to One Liberty Properties, Inc.	$ .38	$ .24	$ 1.07	$ 1.15
Add: depreciation and amortization of properties	.27	.26	.84	.76
Add: our share of depreciation and amortization of unconsolidated joint ventures	.01	.01	.04	.04
Add: impairment loss	.01	—	.01	—
Add: amortization of deferred leasing costs	—	—	.02	.01
Deduct: gain on sale of real estate	(.17)	—	(.53)	(.57)
Adjustments for non-controlling interests	—	—	(.01)	—
NAREIT funds from operations per share of common stock	.50	.51	1.44	1.39
Deduct: straight-line rent accruals and amortization of lease intangibles	(.02)	(.03)	(.05)	(.13)
Add: amortization of restricted stock compensation	.04	.04	.13	.13
Add: prepayment costs on debt	—	—	—	.03
Add: amortization and write-off of deferred financing costs	.01	.01	.04	.04
Adjustments for non-controlling interests	—	—	—	—
Adjusted funds from operations per share of common stock	$ .53	$ .53	$ 1.56	$ 1.46

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, 2017, our aggregate liability in the event of the early termination of our swaps was $2.5 million.

At September 30, 2017, we had 31 interest rate swap agreements outstanding (including two held by three of our unconsolidated joint ventures). 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, 2017, if there had been an increase of 100 basis points in forward interest rates, the fair market value of the interest rate swaps would have increased by approximately $8.0 million and the net unrealized loss on derivative instruments would have decreased by $8.0 million. If there were a decrease of 100 basis points in forward interest rates, the fair market value of the interest rate swaps would have decreased by approximately $8.6 million and the net unrealized loss on derivative instruments would have increased by $8.6 million. These changes would not have any impact on our net income or cash.

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

Our variable rate credit facility is sensitive to interest rate changes. At September 30, 2017, a 100 basis point increase of the interest rate on this facility would increase our related interest costs over the next twelve months by approximately $64,000 and a 100 basis point decrease of the interest rate would decrease our related interest costs over the next twelve months by approximately $64,000.

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, 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

Item 6. Exhibits

Exhibit No.	Title of Exhibit
10.1	Form of 2017 Performance Award Agreement
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.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Definition Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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 8, 2017	/s/ Patrick J. Callan, Jr. Patrick J. Callan, Jr. President and Chief Executive Officer (principal executive officer)
Date: November 8, 2017	/s/ David W. Kalish David W. Kalish Senior Vice President and Chief Financial Officer (principal financial officer)

Exhibit 10.1

FORM OF
PERFORMANCE AWARDS AGREEMENT —
ONE LIBERTY PROPERTIES, INC. AND

____

THIS AGREEMENT is entered into on September 26, 2017, between One Liberty Properties, Inc., a Maryland corporation (“Company”), and _______________, (“Participant”).

WHEREAS, the stockholders of the Company have adopted the One Liberty Properties, Inc. 2016 Incentive Plan (“Plan”);

WHEREAS, the Compensation Committee of the Board of Directors (“Committee”) has granted, pursuant to Section 8 of the Plan, Performance Awards in the form of restricted stock units (“Units”) to the Participant pursuant to which shares of the Company’s common stock underlying the Units are issuable upon the attainment by the Company during the Performance Cycle of the Performance Criteria established by the Committee as set forth in <u>Exhibit A</u> hereto and made part hereof;

WHEREAS, it is intended that this award qualify as performance based compensation for the purposes of Section 162 (m) of the Code.

NOW THEREFORE, the parties hereby agree as follows:

1. <u>Incorporation of the Plan.</u> All provisions of this Agreement and the rights of Participant hereunder are subject in all respects to the provisions of the Plan and the powers of the Committee therein provided. Capitalized terms used in this Agreement but not defined herein shall have the meaning set forth in the Plan. The Participant acknowledges receipt of the Plan.

2. <u>Grant Date.</u> Pursuant to the Plan, the Company, on September 26, 2017 (the “Grant Date”) granted to the Participant a Performance Based Award in the form of ___________ Units, subject to the terms and conditions of the Plan and subject to the terms and conditions set forth herein.

3. <u>Terms and Conditions</u>. Except as otherwise provided herein, the Units shall remain non-vested and subject to substantial risk of forfeiture. If the Participant’s relationship with the Company terminates for any reason during the Performance Cycle (other than as contemplated by Section 5), the Units shall be forfeited by the Participant and shall be null and void.

4. <u>Issuance of Shares.</u> As soon as practicable after the Units become vested and non-forfeitable, the Participant will be entitled to receive one share (the “Share” or “Shares”) of Company common stock for each vested Unit. In the event that a fraction of a Share would be issued, the number of Shares to be issued shall be rounded to the nearest whole share. Any delivery of Shares under this Agreement may be made by delivery of a share certificate or by means of a credit of Shares in book entry form.

5. <u>Vesting.</u> The Units awarded to the Participant shall, except as otherwise provided herein, become vested and non-forfeitable to the extent, but only to the extent, that the Committee determines that the applicable Performance Criteria set forth in <u>Exhibit A</u> have been satisfied at the end of the Performance Cycle (the “Vesting Date”).

Notwithstanding the forfeiture provision of Section 3 hereof, the interest of the Participant in the Units shall vest as follows:

(a) a *pro rata* number of Units upon termination of the Participant's relationship with the Company due to death, Disability or Retirement (collectively a "DDR Event") during the Performance Cycle, but only with respect to Units that would otherwise have vested at the end of the Performance Cycle. For the purposes of this Section 5 (a), the *pro rata* number of Units that shall vest shall equal the product obtained by multiplying the total number of Units awarded pursuant to this Agreement by a fraction, the numerator of which is the number of days commencing July 1, 2017 and ending on the date of the DDR Event, and the denominator of which is the total number of days in the Performance Cycle.

(b) All of the Units shall vest upon a Change of Control if the effective date thereof is after January 1, 2019. If the effective date of the Change of Control shall occur prior to or on January 1, 2019, a *pro rata* number of Units shall vest upon such Change of Control. For the purposes of this Section 5(b), the *pro rata* number of Units that vest shall equal the product obtained by multiplying the total number of Units awarded pursuant to this Agreement by a fraction, the numerator of which is the number of days commencing on July 1, 2017 and ending on the effective date of the Change of Control, and the denominator of which is the total number of days in the period commencing July 1, 2017 and ending January 1, 2019.

(c) If a Participant's relationship with the Company terminates due to a DDR Event and subsequent thereto (but prior to June 30, 2020) there is a Change of Control, then notwithstanding anything to the contrary herein, the *pro rata* number of Units which shall vest and the number of Shares which shall be issuable to the Participant, the Participant's guardian, personal representative or estate on a Change of Control shall be equal to the product obtained by multiplying the total number of Units subject to this Agreement by a fraction, the numerator of which is the number of days commencing July 1, 2017 and ending on the date of the DDR Event, and the denominator of which is the total number of days in the period commencing on July 1, 2017 and ending on the effective date of the Change of Control.

6. <u>Restrictions.</u> The Units awarded pursuant to this Agreement may not be sold, pledged or otherwise transferred and may not be subject to lien, garnishment, attachment or other legal process.

7. <u>Rights as a Stockholder.</u> The Recipient shall not have any rights of a stockholder with respect to the Shares underlying the Units unless and until the Units vest.

8. <u>Disability of Participant.</u> In the event of the Disability of the Participant, the Shares underlying Units which have vested pursuant to this Agreement shall be issued to the Participant if Participant is legally competent or to a legally designated guardian or representative if the Participant is not legally competent.

9. Death of Participant. In the event of the Participant's death, the Shares underlying the Units which have vested and are issuable pursuant to this Agreement shall be issued to the Participant's estate, personal representative, or designated beneficiary.

10. Taxes. The Participant shall be liable for any and all taxes, including withholding taxes, arising out of this grant, the vesting of Units and the issuance of Shares hereunder.

11. Claw-back. The Participant acknowledges and agrees that the grant of the Units and the issuance of Shares is subject to the applicable provisions of any claw-back policy implemented by the Company, whether implemented prior to or after the grant of this Award.

12. Miscellaneous

(a) Neither this Agreement nor the granting or vesting of Units shall confer upon the Participant any right to continue in the employ of the Company or an affiliate, nor shall it interfere in any way with the right of the Company or an affiliate to terminate Participant's relationship with the Company at any time.

(b) The parties agree to execute such further documents and instruments and to take such action as may reasonably be necessary to carry out the intent of this Agreement, including without limitation the imposition of appropriate legends on the Shares and the issuance of "stop transfer" orders to implement the restrictions imposed herein.

(c) This Award shall be governed by the laws of the State of Maryland (without regard to its choice of law principles) and applicable Federal law.

(d) For the purpose of this Agreement, a Participant's relationship with the Company shall be deemed to terminate when the Participant is no longer serving the Company as an officer, director, employee or consultant.

(e) Except as may otherwise be permitted under the Plan, the Committee has the right to amend this Agreement, prospectively or retroactively; provided that no such amendment or alteration shall adversely affect Participant's material rights under this Agreement without Participant's consent and pursuant to a writing executed by the parties hereto which specifically states that it is amending this Agreement.

(f) This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof.

(g) Except as expressly stated herein to the contrary, this Agreement will be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto.

(h) The Units granted to the Participant shall be credited to a separate account maintained on the books of the Company (the "Account"). All amounts credited to Participant's Account under this Agreement shall continue for all purposes to be a part of the general assets of the Company. Participant's interest in the Account shall make Participant only a general, unsecured creditor of the Company.

This Agreement has been executed and delivered by the parties as of the date hereof.

ONE LIBERTY PROPERTIES, INC.

By: ______________________________
David W. Kalish, Chief Financial Officer

____
Signature of Participant

____
Name of Participant

____
Participant's Social Security Number

EXHIBIT A

PERFORMANCE CRITERIA

The number of Restricted Stock Units (“Units”) that shall vest, if any, will be determined by the Compensation Committee as soon as practicable after the completion of a three year Performance Cycle (which shall commence July 1, 2017 and end on June 30, 2020) using the following Performance Criteria:

Return on Capital: One-half of the awarded Units, or an aggregate of ______________ Units, are subject to an average annual return on capital metric for the period from July 1, 2017 through June 30, 2020. For all of the Units subject to the return on capital metric to vest and for the underlying shares of the Company’s common stock be issued to the Participant, the average of the annual return on capital during the Performance Cycle must be at least 9.75%. For a portion of these Units to vest and for underlying shares of the Company’s common stock to be issued with respect to the Units which vest, the average of the annual return on capital for the Performance Cycle must exceed 7%. If the average of the annual return on capital exceeds 7%, but is less than 9.75% for the Performance Cycle, then a *pro rata* number of Units shall vest and the underlying shares of the Company’s common stock with respect to the Units which vest will be issued. Return on capital means adjusted funds from operations, as determined below, divided by average capital, as determined below. Adjusted funds from operations means funds from operations, determined in accordance with the National Association of Real Estate Investment Trusts definition, adjusted for straight-line rent accruals and amortization of lease intangibles, and adding and deducting gains and losses, respectively, on sales of properties. Gains and/or losses on property sales shall equal the sales price for a property less the purchase price, costs of capital improvements and costs of sale. Such return shall be calculated for each twelve month period beginning July 1, 2017. Average capital is defined as stockholders’ equity, plus depreciation and amortization, adjusted for intangibles, and for each twelve month period during the Performance Cycle, shall be measured by reference to the quotient obtained by dividing (a) the sum of the capital as of July 1 and the following June 30 by (b) two. As in the case of the total stockholder return metric, the average annual return on capital shall be determined for each twelve month period beginning July 1, 2017, 2018 and 2019, and whether and to the extent an award vests, will be based on the average of such averages.

Total Stockholder Return: One-half of the awarded Units, or an aggregate of ___________ Units, are subject to a total stockholder return metric average for the period from July 1, 2017 through June 30, 2020. Each year (July 1st through the following June 30th) total stockholder return for such year shall be calculated using the following formula: the closing price per share on the NYSE of the Company’s common stock at the end of the measuring period (the applicable June 30th) minus the closing price per share on the NYSE of the Company’s common stock at the start of the measuring period (the applicable July 1st) plus all dividends paid during the measuring period shall be divided by the closing price per share on the NYSE of the Company’s common stock at the commencement of the measuring period (the applicable July 1st). Once total stockholder return has been calculated for each of the three years in the Performance Cycle, an average of such three year total stockholder return shall be determined. In order for all of these Units to vest and the underlying shares of the Company’s common stock to be issued, the average total stockholder return for the three year period must be 12.75% or higher, and for a portion of the Units to vest and the underlying shares of the Company’s common stock be issued, the average total stockholder return for the three year period must exceed 7%. If the average annual total stockholder return exceeds 7%, but is less than 12.75% for the three year period, then a *pro rata* number of Units shall vest and the underlying shares of the Company’s common stock with respect to the Units which vest shall be issued.

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, 2017 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 8, 2017

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

EXHIBIT 31.2

CERTIFICATION

I, David W. Kalish, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 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 8, 2017

/s/ David W. Kalish
David W. 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, 2017 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 8, 2017

/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, David W. 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, 2017 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 8, 2017

/s/ David W. Kalish
David W. 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.

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olp-20170930_cal.xml

olp-20170930_def.xml

olp-20170930_lab.xml

olp-20170930_pre.xml