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ONE LIBERTY PROPERTIES INC
Form 10-K
March 15, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

[X] Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2006
Or

[] Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Commission File Number 001-09279

ONE LIBERTY PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

MARYLAND 13-3147497

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

60 Cutter Mill Road, Great Neck, New York 11021

(Address of principal executive offices) (Zip Code)

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

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

Title of each class -----	Name of exchange on which registered -----
Common Stock, par value \$1.00 per share	New York Stock Exchange

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

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Yes No X
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Indicate by check mark if the registrant is not required to file

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reports pursuant to Section 13 or 15(d) of the Act.

Yes _____ No _____ X _____

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X _____ No _____

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check One):

Large Accelerated Filer _____ Accelerated Filer X Non-Accelerated Filer _____

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

Yes _____ No _____ X _____

As of June 30, 2006 (the last business day of the registrant's most recently completed second quarter), the aggregate market value of all common equity held by non-affiliates of the registrant, computed by reference to the price at which common equity was last sold on said date, was approximately \$148.8 million.

As of March 10, 2007, the registrant had 10,034,576 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual meeting of stockholders of One Liberty Properties, Inc., to be filed pursuant to Regulation 14A not later than April 30, 2007, are incorporated by reference into Part III of this Form 10-K.

PART I

Item 1. Business

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General

We are a self-administered and self-managed real estate investment trust, also known as a REIT. We were incorporated under the laws of the State of Maryland on December 20, 1982. We acquire, own and manage a geographically diversified portfolio of retail, industrial, office, health and fitness and other properties, a substantial portion of which are under long-term leases. Substantially all of our leases are "net leases," under which the tenant is typically responsible for real estate taxes, insurance and ordinary maintenance and repairs. As of December 31, 2006, we owned sixty-six properties, including a 50% tenancy in common interest in one property, and participated in seven joint ventures that own six properties (including two vacant properties held for sale). Our properties and the properties owned by our joint ventures are located in twenty-eight states and have an aggregate of approximately 5.9 million square feet of space (including approximately 106,000 square feet of space at the property in which we own a tenancy in common interest and approximately 1.6 million square feet of space at properties owned by the joint ventures in which we participate).

Under the terms of our current leases, our 2007 contractual rental income (rental income that is payable to us in 2007 under leases existing at December 31, 2006) will be approximately \$36 million, including approximately \$1.2 million of rental income payable on our tenancy in common interest. In 2007, we expect that our share of the rental income payable to our seven joint ventures will be approximately \$1.4 million, without taking into consideration any rent that we would receive if the two vacant properties owned by our joint ventures are rented. On December 31, 2006, the occupancy rate of properties owned by us was 100% based on square footage (including the property in which we own a tenancy in common interest) and the occupancy rate of properties owned by our joint ventures was 98.9% based on square footage (exclusive of vacant land owned by one of our joint ventures). The weighted average remaining term of the leases in our portfolio, including our tenancy in common interest, is 10.8 years and 12.3 years for the leases at properties owned by our joint ventures.

Acquisition Strategies

We seek to acquire properties throughout the United States that have locations, demographics and other investment attributes that we believe to be attractive. We believe that long-term leases provide a predictable income stream over the term of the lease, making fluctuations in market rental rates and in real estate values less significant to achieving our overall investment objectives. Our goal is to acquire properties that are subject to long-term net leases that include periodic contractual rental increases. Periodic contractual rental increases provide reliable increases in future rent payments, while rent increases based on the consumer price index provide protection against inflation. Long-term leases also make it easier for us to obtain longer-term, fixed-rate mortgage financing with principal amortization, thereby moderating the interest rate risk associated with financing or refinancing our property portfolio by reducing the outstanding principal balance over time. Although we regard long-term leases as an important element of our acquisition strategy, we may acquire a property that is subject to a short-term lease where we believe the property represents a good opportunity for recurring income and residual value.

Generally, we intend to hold the properties we acquire for an extended period of time. Our investment criteria are intended to identify properties from which increased asset value and overall return can be realized from an extended period of ownership. Although our investment criteria favor an extended period of ownership of our properties, we may dispose of a property following a lease termination or expiration or even during the term of a lease (i) if we regard the disposition of the property as an opportunity to realize the overall value

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of the property sooner or (ii) to avoid future risks by achieving a determinable return from the property. In 2006, favorable market conditions provided us with the opportunity to realize the overall value of our movie theater portfolio sooner than anticipated and accordingly we sold one movie theater property and two of our movie theater joint ventures sold nine movie theater properties.

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

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

It is our policy, and the policy of our affiliated entities, that any investment opportunity presented to us or to any of our affiliated entities that involves primarily the acquisition of a net leased property will first be offered to us and declined by us before any of our affiliated entities may pursue the opportunity.

Investment Evaluation

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

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

Our Business Objectives and Growth Strategy

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

- o acquiring a diversified portfolio of net leased properties subject to long-term leases;
- o obtaining mortgage indebtedness on favorable terms and increasing access to capital to finance property acquisitions; and
- o managing assets effectively through property acquisitions, lease extensions and opportunistic property sales.

Our growth strategy includes the following elements:

- o to maintain, renew and enter into new long-term leases that contain

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provisions for contractual rent increases;

- o to acquire additional properties within the United States that are subject to long-term net leases and that satisfy our other investment criteria; and
- o to acquire properties in market or industry sectors that we identify, from time to time, as offering superior risk-adjusted returns.

Typical Property Attributes

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

- o Net leases. Substantially all of the leases are net leases under which the tenant is typically responsible for real estate taxes, insurance and ordinary maintenance and repairs. We believe that investments in net leased properties offer more predictable returns than investments in properties that are not net leased;
- o Long-term leases. The properties acquired are generally subject to long-term leases. Excluding leases relating to properties owned by our joint ventures, leases representing approximately 84% of our 2007 contractual rental income expire after 2012, and leases representing approximately 55% of our 2007 contractual rental income expire after 2016; and
- o Scheduled rent increases. Leases representing approximately 93% of our 2007 contractual rental income provide for either scheduled rent increases or periodic contractual rent increases based on the consumer price index. None of the leases on properties owned by our joint ventures provide for scheduled rent increases.

Our Tenants

The following table sets forth information about the diversification of our tenants (excluding tenants of our joint ventures) by industry sector as of December 31, 2006:

Type of Property -----	Number of Tenants -----	Number of Properties -----	2007 Contractual Rental Income (1) -----
Retail - various (2)	33	33	\$11,727,402
Retail - furniture (3)	5	15	7,295,933
Industrial	8	8	6,923,408
Office (4)	3	3	4,157,444
Flex	3	2	2,454,855
Health & fitness	3	3	1,640,441
Movie theater (5)	1	1	1,242,019
Residential	1	1	650,000
	-----	-----	-----
	57	66	\$36,091,502
	=====	=====	=====

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- (1) 2007 contractual rental income includes rental income that is payable to us during 2007 for properties owned by us at December 31, 2006, including rental income payable on our tenancy in common interest.
- (2) Twenty-one of the retail properties are net leased to single tenants. Four properties are net leased to a total of 11 separate tenants pursuant to separate leases and 8 properties are net leased to one tenant pursuant to a master lease.
- (3) Eleven properties are net leased to Haverty Furniture Companies, Inc. pursuant to a master lease covering all locations and four of the properties are net leased to single tenants.
- (4) Includes a property in which we own a 50% tenancy in common interest.
- (5) We are the ground lessee of this property under a long-term lease and net lease the movie theater to an operator.

Although the main focus of our analysis is the intrinsic value of a property, we seek to acquire properties that we believe will provide attractive current returns from leases with tenants that operate profitably, even if our tenants are typically not rated or are rated below investment grade. We will acquire a property if we believe that the quality of the underlying real estate mitigates the risk that may be associated with any default by the tenant. Most of our retail tenants operate on a national basis and include, among others, Barnes & Noble, Inc., Walgreen Co., The Sports Authority, Inc., Best Buy Co., Inc., TGI Friday's Inc., Party City Corporation, Circuit City Stores, Inc., Petco Animal Supplies, Inc. and CarMax Auto Superstores, Inc., and some of our tenants operate on a regional basis, including Haverty's Furniture Companies, Inc.

Our Leases

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

Our typical lease provides for contractual rent increases periodically throughout the term of the lease. Some of our leases provide for rent increases pursuant to a formula based on the consumer price index. While some of our leases also provide for minimum rents supplemented by additional payments based on sales derived from the property subject to the lease, such additional payments were not a material part of our 2006 rental revenues and are not expected to be a material part of our 2007 rental revenues.

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

The following table sets forth scheduled lease expirations of leases for

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our properties (excluding joint venture properties) as of December 31, 2006:

Year of Lease Expiration (1) (2)	Number of Expiring Leases	Approximate Square Feet Subject to Expiring Leases	2007 Contractual Rental Income Under Expiring Leases (3)
-----	-----	-----	-----
2007	2	19,000	\$ 359,604
2008	3	520,272	1,858,129
2009	3	200,468	928,177
2010	3	19,038	349,825
2011	4	208,428	2,080,129
2012	-	-	-
2013	5	106,996	1,583,263
2014	14	700,200	5,698,432
2015	4	150,795	1,765,765
2016 and thereafter	19	2,407,259	21,468,178
	-----	-----	-----
	57	4,332,456	\$36,091,502
	=====	=====	=====

-
- (1) Lease expirations assume tenants do not exercise existing renewal options.
 - (2) Includes a property in which we have a tenancy in common interest.
 - (3) 2007 contractual rental income includes rental income that is payable to us during 2007 under existing leases on properties we owned at December 31, 2006 (including rental income payable on our tenancy in common interest).

Financing, Re-Renting and Disposition of Our Properties

Under our governing documents, there is no limit on the level of debt that we may incur. Our credit facility is provided by VNB New York Corp., Bank Leumi, USA, Manufacturers and Traders Trust Company and Israel Discount Bank of New York and is a full recourse obligation. The credit facility limits total indebtedness that we may incur to an amount equal to approximately 70% of the value (as defined) of our properties, among other limitations in the credit facility on our ability to incur additional indebtedness. We borrow funds on a secured and unsecured basis and intend to continue to do so in the future. We mortgage specific properties on a non-recourse basis (subject to standard carve-outs) to enhance the return on our investment in a specific property. The proceeds of mortgage loans and amounts drawn on our credit line may be used for property acquisitions, investments in joint ventures or other entities that own real property, to reduce bank debt and for working capital purposes.

With respect to properties we acquire on a free and clear basis, we usually seek to obtain long-term fixed-rate mortgage financing shortly after the acquisition of such property to avoid the risk of movement of interest rates and fluctuating supply and demand in the mortgage markets. We also will acquire a property that is subject to (and will assume) a fixed-rate mortgage. Substantially all of our mortgages provide for amortization of part of the principal balance during the term, thereby reducing the refinancing risk at maturity. Some of our properties may be financed on a cross-defaulted or cross-collateralized basis, and we may collateralize a single financing with more than one property.

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

Our Joint Ventures

As of December 31, 2006, we are a joint venture partner in seven joint ventures that own a total of six properties (including two vacant properties held for sale, one of which was sold March 2007) and have an aggregate of approximately 1.6 million square feet of space. We own a 50% equity interest in six of our joint ventures and a 36% equity interest in one joint venture. At December 31, 2006 our investment in unconsolidated joint ventures was approximately \$7 million.

We are designated as "managing member" or "manager" under the operating agreements of five of our seven joint ventures. We are a joint venture partner in two movie theater joint ventures, each with the same joint venture partner. One of our movie theater joint ventures sold all five of its movie theater properties in October 2006 for a sale price of \$91.3 million and realized a gain of \$35.2 million on the sale, after the payment of closing expenses and brokerage fees. In connection with this sale, the joint venture paid \$4.9 million in prepayment premiums to its mortgage lender, which is reflected as interest expense in the joint venture's financial statements in accordance with generally accepted accounting principles and is not netted against the gain on sale. This movie theater joint venture does not currently own any real property. The second movie theater joint venture sold one movie theater property in September 2006 for \$16 million and three movie theater properties in October 2006 for \$45.3 million, and realized an aggregate gain of \$20.5 million on the sales, after the payment of closing expenses and brokerage fees. In connection with these sales, the joint venture paid \$5.6 million in prepayment premiums to its mortgage lenders, which is reflected as interest expense in the joint venture's financial statements in accordance with generally accepted accounting principles and not netted against the gain on sale. As a result of these property sales, the second movie theater joint venture owned one property at December 31, 2006, a vacant .26 of an acre of land located in Monroe, New York. This property has been written down on the joint venture's books to \$40,000 and on March 14, 2007 was sold by the joint venture for an aggregate purchase price of \$1.25 million.

Each of the other five joint ventures in which we participate as a joint venture partner owns one property, three of which are retail properties and two of which are industrial properties. One of the retail properties, which contains 17,108 square feet of rental space, has been vacant since February 2004 and we cannot at this time project when a new lease will be consummated or whether the joint venture will be able to consummate an advantageous sale of the property. The joint venture has recorded a provision for valuation adjustment of \$960,000, of which our share is \$480,000, based on an evaluation of market conditions in the area in which the property is located.

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Based on existing leases, we anticipate that our share of rental income payable to our joint ventures in 2007 will be approximately \$1.4 million. The leases for two properties (each of which is owned by one of our joint ventures) that are expected to contribute 81% of the aggregate projected rental income payable to all of our joint ventures in 2007, will expire in 2021 and 2022, respectively.

Other Types of Investments

From time to time we have invested, on a limited basis, in publicly traded shares of other REITs, and we may make such investments on a limited basis in the future. We also may invest, on a limited basis, in the shares of entities not involved in real estate investments, provided that no such investment adversely affects our ability to qualify as a REIT under the Internal Revenue Code of 1986, as amended. We do not have any plans to invest in or to originate loans to other persons, whether or not secured by real property. Although we have not done so in the past, we may issue our securities in exchange for properties that fit our investment criteria. We have not previously invested in the securities of another entity for the purpose of exercising control over it and we do not have any present plans to invest in the securities of another entity for such purpose.

Competition

We face competition for the acquisition of net leased properties from a variety of investors including domestic and foreign corporations and real estate companies, 1031 exchange buyers, financial institutions, insurance companies, pension funds, investment funds, other REITs and individuals, some of which have significant advantages over us, including a larger, more diverse group of properties and greater financial and other resources than we have. We have recently experienced increased competition for the acquisition of net leased properties. We believe that our management's experience in real estate, mortgage lending, credit underwriting and transaction structuring allows us to compete effectively for properties.

Our Structure

In 2006, Patrick J. Callan, Jr., our president, Lawrence G. Ricketts, Jr., our executive vice president, and three other employees devoted substantially all of their business time to our company. Our other executive, administrative, legal, accounting and clerical personnel shared their services on a part-time basis with us and other affiliated entities that share our executive offices pursuant to a shared services agreement between several affiliated entities including, among others, Gould Investors L.P., a limited partnership involved in the ownership and operation of a diversified portfolio of real estate, which owned 8% of our common stock at December 31, 2006, and BRT Realty Trust, a publicly-traded mortgage lending REIT.

In 2006, pursuant to the shared services agreement, we reimbursed \$1.3 million to Gould Investors L.P. for services performed by personnel that shared their services with us on a part-time basis and for expenses for the shared facilities and other resources. The allocation of expenses for the shared facilities, personnel and other resources was computed in accordance with the shared services agreement and was based on the estimated time devoted by executive, administrative, legal, accounting and clerical personnel to the affairs of each entity that is a party to the shared services agreement. Additionally, pursuant to certain management agreements between us and certain affiliated entities, we also paid an aggregate of \$308,000 to affiliated entities for property management services, property sales and property leasing services, and mortgage brokerage services.

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Effective as of January 1, 2007, we entered into a compensation and services agreement with Majestic Property Management Corp., a company wholly-owned by our chairman and chief executive officer and in which certain of our executive officers are officers and from which they receive compensation. Under the terms of the agreement, Majestic assumed our obligations to make payments to Gould Investors L.P. (and other affiliated entities) under the shared services agreement and agreed to provide to us the services of all affiliated executive, administrative, legal, accounting and clerical personnel that we have heretofore utilized on a part-time (as needed) basis and for which we had paid, as a reimbursement, an allocated portion of the payroll expenses of such personnel in accordance with the shared services agreement. Since Majestic and its affiliates will arrange for such personnel for us, we will no longer incur any allocated payroll expenses. Under the terms of the agreement, Majestic (or its affiliates) will continue to provide to us customary property management services, property acquisition, sales and leasing counseling services and mortgage brokerage services that it has provided to us in the past, and we will not incur any fees or expenses for such services except for the annual fees described below. As consideration for providing to us the services of such personnel and property management services (including construction supervisory services), property acquisition, sales and leasing counseling services and mortgage brokerage services, we will pay Majestic an annual fee of \$2,125,000 in 2007, in equal monthly installments. Majestic will credit against the fee payments due to it under the agreement any management or other fees received by it from any joint venture in which we are a joint venture partner (exclusive of fees paid by the tenant in common on a property located in Los Angeles, California). In addition, the agreement provides for us to pay compensation to our chairman of \$250,000 per annum, an increase from \$50,000. We also agreed to make an additional payment to Majestic of \$175,000 in 2007 for our share of all direct office expenses, such as rent, telephone, postage, computer services, internet usage, etc., previously allocated to us under the shared services agreement. The annual payments we make to Majestic will be negotiated each year by us and Majestic, and will be approved by our Audit Committee and our independent directors. The annual payments will be based upon the prior years' experience and a budget prepared by Majestic.

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

Available Information

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

On the Corporate Governance page of our web site, we post the following charters and guidelines: Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter, Corporate

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Governance Guidelines and Code of Business Conduct and Ethics, as amended and restated. All such charters and guidelines on our Corporate Governance Web page are available to be viewed free of charge.

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

Forward-Looking Statements

This Annual Report on Form 10-K, together with other statements and information publicly disseminated by One Liberty Properties, Inc., 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," "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions or variations thereof. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performance or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to:

- o general economic and business conditions;
- o general and local real estate conditions;
- o the financial condition of our tenants and the performance of their lease obligations;
- o changes in governmental laws and regulations relating to real estate and related investments; o the level and volatility of interest rates;
- o competition in our industry;
- o accessibility of debt and equity capital markets;
- o the availability of and costs associated with sources of liquidity; and
- o the other risks described under "Risks Related to Our Company" and "Risks Related to the REIT Industry."

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

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

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

Item 1A. Risk Factors.

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

Risks Related to Our Business

The financial failure of our tenants would likely cause significant reductions in our revenues, our equity in earnings of unconsolidated joint ventures and in the value of our real estate portfolio.

Based on 2007 contractual rental income, 88% of our rental revenues are generated from properties which are leased to single tenants. Accordingly, the financial failure or other default of a tenant in non-payment of rent or property related expenses or the termination of a lease could cause a significant reduction in our revenues. Additionally, approximately 51.4% of our rental revenues (excluding rental revenues from our joint ventures) for the year ended December 31, 2006 was derived from retail tenants and approximately 52.7% of our 2007 contractual rental income will be derived from retail tenants, including 20.2% from our tenants engaged in retail furniture operations. Weakening economic conditions (nationally and/or locally) could result in the financial failure, or other default, of a significant number of our tenants and the tenants of our joint ventures. In the event of a default by a tenant, we may experience delays in enforcing our rights as landlord and sustain a loss of revenues and incur substantial costs in protecting our investment. We may also face liabilities arising from the tenant's actions or omissions that would reduce our revenues and the value of our portfolio. Also, if we are unable to re-rent a property when an existing lease terminates, we receive no revenues from such property and are required to pay taxes, insurance and other operating expenses during the vacancy period, and could as a result experience a decline in the value of the property.

A significant portion of our 2006 revenues and our 2007 contractual rental income is derived from five tenants. The default, financial distress or failure of any of these tenants could significantly reduce our revenues.

Haverty's Furniture Companies, Inc., Nutritional Products, Inc., New Flyer of America, Inc. and L-3 Communications Corp., accounted for approximately 10.7%, 6.2%, 5.4% and 5.2%, respectively, of our rental revenues (excluding rental revenues from our joint ventures) for the year ended December 31, 2006 and account for 11.5%, 5.2%, 4.2%, and 4.8%, respectively, of our 2007 contractual rental income. Ferguson Enterprises, Inc., a tenant at a property we acquired in December 2006, accounts for 5.3% of our 2007 contractual rental income. The default, financial distress or bankruptcy of any of these tenants could cause interruptions in the receipt or the loss of a significant amount of rental revenues and result in the vacancy of the property or properties occupied by the defaulting tenant, which would significantly reduce our rental revenues and net income until the re-rental of the property or properties, and could decrease the ultimate sale value of the property.

The inability to repay our indebtedness could reduce cash available for

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distributions and cause losses.

As of December 31, 2006, we had outstanding approximately \$228 million in long-term mortgage and loan indebtedness, all of which is non-recourse (subject to standard carve-outs). As of December 31, 2006, our ratio of mortgage and loan debt to total assets was approximately 54%. In addition, as of December 31, 2006, our joint ventures had approximately \$19 million in total long-term mortgage indebtedness (all of which is non-recourse subject to standard carve-outs). The risks associated with our debt and the debt of our joint ventures include the risk that cash flow for the properties securing the mortgage indebtedness will be insufficient to meet required payments of principal and interest. Further, if a property or properties are mortgaged to collateralize payment of indebtedness and we or any of our joint ventures are unable to make mortgage payments on the secured indebtedness, the lender could foreclose upon the property or properties resulting in a loss of revenues to us and a decline in the value of our portfolio. Even with respect to our non-recourse indebtedness, the lender may have the right to recover deficiencies from us under certain circumstances, which could result in a reduction in the amount of cash available to us to meet expenses and to make distributions to our stockholders and in a deterioration of our financial condition.

If we are unable to refinance our borrowings at maturity at favorable rates or otherwise raise funds, our net income may decline or we may be forced to sell properties on disadvantageous terms, which would result in the loss of revenues and in a decline in the value of our portfolio.

Only a small portion of the principal of our mortgage indebtedness and the mortgage indebtedness of our joint ventures will be repaid prior to maturity. Neither we nor our joint ventures plan to retain sufficient cash to repay such indebtedness at maturity. Accordingly, in order to meet these obligations, we will have to use funds available under our credit line, if any, to refinance debt or seek to raise funds through the financing of unencumbered properties, sale of properties or the issuance of additional equity. Between January 2007 and December 31, 2011, we will need to refinance an aggregate of approximately \$39.4 million of maturing debt, of which approximately \$3.8 million will have to be refinanced in 2007 and approximately \$4.2 million will have to be refinanced in 2008. Our joint ventures do not have maturing mortgage debt until 2015. We can not provide any assurance that we (or our joint ventures) will be able to refinance this debt or arrange additional debt financing on unencumbered properties on terms as favorable as the terms of existing indebtedness, or at all. If interest rates or other factors at the time of refinancing result in interest rates higher than the interest rates currently being paid, our interest expense would increase, which would adversely affect our net income, financial condition and the amount of cash available for distribution to stockholders. If we (or our joint ventures) are not successful in refinancing existing indebtedness or financing unencumbered properties, selling properties on favorable terms or raising additional equity, our cash flow (or the cash flow of a joint venture) will not be sufficient to repay all maturing debt when payments become due, and we (or a joint venture) may be forced to dispose of properties on disadvantageous terms, which would result in the loss of revenues and in a decline in the value of our portfolio.

As of December 31, 2006 and March 1, 2007, we had no balance outstanding under our revolving credit facility. Our credit facility expires on March 31, 2007. We are in the process of amending our credit facility with our lending syndicate which will extend its maturity date from March 31, 2007 to March 31, 2010 and will reduce the interest rate from its current rate to the lower of LIBOR plus 2.15% or the bank's prime rate. All other material terms and conditions of current credit facility will remain the same. In the event the extension is not consummated, we will endeavor to secure a new credit facility. If we are able to secure a new credit facility (of which there is no assurance), it may be on terms less favorable than our current credit facility.

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Increased borrowings could result in increased risk of default on our repayment obligations and increased debt service requirements.

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

If we are unable to re-rent properties upon the expiration of our leases, it could adversely affect our revenues and ability to make distributions, and could reduce the value of our portfolio.

Substantially all of our revenues are derived from rental income paid by tenants at our properties. We cannot predict whether current tenants will renew their leases upon the expiration of their terms. In addition, we cannot predict whether current tenants will attempt to terminate their leases (including taking advantage of provisions of the federal bankruptcy laws), or whether defaults by tenants may result in termination of their leases prior to the expiration of their current terms. If tenants terminate or fail to renew their leases, or if leases terminate due to defaults or in the course of a bankruptcy proceeding, we may not be able to locate qualified replacement tenants and, as a result, we would lose a source of revenue while remaining responsible for the payment of our mortgage obligations and the expenses related to the properties, including real estate taxes and insurance. Even if tenants decide to renew their leases or we find replacement tenants, the terms of renewals or new leases, including the cost of required renovations or concessions to tenants, or the expense of reconfiguration of a single tenancy property for use by multiple tenants, may be less favorable than current lease terms and could reduce the amount of cash available to meet expenses and to make distributions to holders of our common stock.

We are required by certain of our net lease agreements to pay property related expenses that are not the obligations of our tenants.

Under the terms of substantially all of our net lease agreements, in addition to satisfying their rent obligations, our tenants are responsible for the payment of real estate taxes, insurance and ordinary maintenance and repairs. However, in the case of certain leases, we may pay some expenses, such as the costs of environmental liabilities, roof and structural repairs, insurance and certain non-structural repairs and repairs and maintenance. If our properties incur significant expenses that must be paid by us under the terms of our lease agreements, our business, financial condition and results of operations will be adversely affected and the amount of cash available to meet expenses and to make distributions to holders of our common stock may be reduced.

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

Substantially all of our tenants obtain, for our benefit, comprehensive insurance covering our properties in amounts that are intended to be sufficient to provide for the replacement of the improvements at each property. However, the amount of insurance coverage maintained for any property may not be

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

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

We are subject to the general risks of investing in real estate. These include adverse changes in economic conditions and local conditions such as changing demographics, retailing trends and traffic patterns, declines in the rental rates, changes in the supply and price of quality properties and the market supply and demand of competing properties, the impact of environmental laws, security concerns, prepayment penalties applicable under mortgage financings, changes in tax, zoning, building code, firesafety and other laws and regulations, the type of insurance coverages available in the market, and changes in the type, capacity and sophistication of building systems. In particular, approximately 52.7% of our 2007 contractual rental income will come from retail tenants and is therefore vulnerable to any economic decline that negatively impacts the retail sector of the economy. Any of these conditions could have an adverse effect on our results of operations, liquidity and financial condition.

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

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

Our real estate investments are relatively illiquid and their values may decline.

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

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loss, which would adversely affect our results of operations, liquidity and financial condition.

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

We do not have specific limitations on the total percentage of our real estate properties that may be located in any one geographic area. Consequently, properties that we own may be located in the same or a limited number of geographic regions. Approximately 35% of our rental income (excluding our share of the rental income from our joint ventures) for the year ended December 31, 2006 were, and approximately 32% of our 2007 contractual rental income will be, derived from properties located in Texas and New York. As a result, a decline in the economic conditions in these geographic regions, or in geographic regions where our properties may be concentrated in the future, may have an adverse effect on the rental and occupancy rates for, and the property values of, these properties, which could lead to a reduction in our rental income and in the results of operations.

Our inability to control our joint ventures or our tenancy in common arrangement could result in diversion of time and effort by our management and the inability to achieve the goals of the joint venture or the tenancy in common arrangement.

We presently are a venturer in seven joint ventures which own six properties and we own 50% of another property as tenant in common with a group of investors pursuant to a tenancy in common agreement. At December 31, 2006, our investment in unconsolidated joint ventures was approximately \$7 million and the tenancy in common interest represents a net investment of approximately \$531,000 by us. These investments may involve risks not otherwise present in investments made solely by us, including that our co-investors may have different interests or goals than we do, or that our co-investors may not be able or willing to take an action that we desire. Disagreements with or among our co-investors could result in substantial diversion of time and effort by our management team and the inability of the joint venture or the tenancy in common to successfully operate, finance, lease or sell properties as intended by our joint venture agreements or tenancy in common agreement. In addition, we may invest a significant amount of our funds into joint ventures which ultimately may not be profitable as a result of disagreements with or among our co-investors.

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

We compete for real estate investments with all types of investors, including domestic and foreign corporations and real estate companies, 1031 exchange buyers, financial institutions, insurance companies, pension funds, investment funds, other REITs and individuals. Many of these competitors have significant advantages over us, including a larger, more diverse group of properties and greater financial and other resources. We have recently experienced increased competition for the acquisition of net leased properties. Our failure to compete successfully with these competitors could result in our inability to identify and acquire valuable properties and to achieve our growth objectives.

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

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at the property and may be held liable to a governmental entity or to third parties for property

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

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

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

We depend on the services of Fredric H. Gould, chairman of our board of directors and chief executive officer, Patrick J. Callan, Jr., our president, Lawrence G. Ricketts, Jr., our executive vice president, and other members of our senior management to carry out our business and investment strategies. Only two of our senior officers, Messrs. Callan and Ricketts, devote substantially all of their business time to our company. The remainder of our senior management provide services to us on a part-time, as needed basis. As we expand, we will continue to need to attract and retain qualified senior management and other key personnel, both on a full-time and part-time basis. The loss of the services of any of our senior management or other key personnel, or our inability to recruit and retain qualified personnel in the future, could impair our ability to carry out our business and investment strategies. We do not carry key man life insurance on members of our senior management.

Our transactions with affiliated entities involve conflicts of interest.

We have entered into a number of transactions with persons and entities affiliated with us and with certain of our officers and directors. In particular, during the year ended December 31, 2006, Majestic Property Management Corp., a company owned by Mr. Gould and in which certain of our executive officers are officers and from which they receive compensation, received from our joint ventures an aggregate of approximately \$1.3 million as a commission in connection with the sale for an aggregate consideration of \$136.7 million of eight movie theater properties owned by two of our joint ventures and \$105,000 for management fees and construction supervisory fees. In addition, in 2006 we paid Majestic Property Management Corp. approximately \$308,000 for mortgage brokerage fees, sales commissions, management fees and construction supervisory fees. Our policy is (i) to receive terms in transactions with affiliates that are at least as favorable to us as similar transactions we would enter into with unaffiliated persons and (ii) to have these transactions approved by our Audit Committee and by a majority of our board of directors, including a majority of our independent directors. Effective January 1, 2007, we entered into a compensation and services agreement with Majestic Property Management Corp. which provides for a continuation of the services we previously received under the shared services agreement, including executive, administrative, legal, accounting and clerical personnel, and customary property management services, property acquisition, sales and leasing counseling services

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and mortgage brokerage services and the elimination of any allocated expenses to us. In consideration thereof, we will pay an annual fee to Majestic Property Management Corp. In addition, the agreement provides for us to pay additional compensation to our chairman and for us to make a payment to Majestic for our share of all direct office expenses such as rent, telephone, postage, computer services, internet usage, etc. previously allocated to us under the shared services agreement. Any transactions with affiliated entities raise the potential that we may not receive terms as favorable as those that we would receive if the transactions were entered into with unaffiliated entities or that our executive officers might otherwise seek benefits for affiliated entities at our expense.

An SEC investigation involving us has resulted in significant costs to us, may result in future costs to us and could adversely affect us.

As previously disclosed in our public filings, we are currently the subject of a formal order of investigation by the SEC, pursuant to which the SEC served a subpoena on us requesting that we produce certain documents. Based upon the items requested in the subpoena and the examination by the SEC of one of our executive officers, we believe that the matters being investigated by the SEC focus on the (i) improper payments received by Jeffrey Fishman, our former president and chief executive officer, (ii) related party transactions between us and entities affiliated with us and with certain of our executive officers and directors, and (iii) compensation paid to certain of our executives by those affiliated entities.

Our Audit Committee has conducted an investigation concerning these issues. Both we and the Audit Committee have fully cooperated and intend to continue to fully cooperate with the SEC investigation. However, there can be no assurance that the SEC will not take any action that could adversely affect us as a result of the matters investigated by it and by the Audit Committee. We have incurred significant legal fees in connection with the on-going SEC investigation and the substantially completed Audit Committee investigation, and could incur significant legal fees in the future in connection with the SEC investigation. Moreover, members of our senior management have devoted in the past and may need to devote a significant amount of time in the future to these matters, which could have the effect of reducing the time that they have to devote to the operation of our business.

Compliance with the Americans with Disabilities Act could be costly.

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

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

We intend to pay quarterly dividends and to make distributions to our stockholders in amounts such that all or substantially all of our taxable income in each year, subject to certain adjustments, is distributed. This, along with other factors, should enable us to qualify for the tax benefits accorded to a REIT under the Internal Revenue Code of 1986, as amended. We have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected by the risk factors described in this Annual Report.

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All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as our board of directors may deem relevant from time to time. We cannot assure you that we will be able to pay dividends in the future.

Risks Related to the REIT Industry

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

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

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

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

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

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

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

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Accordingly, compliance with REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

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

Item 1B. Unresolved Staff Comments.

None.

EXECUTIVE OFFICERS

The following sets forth information with respect to our executive officers:

NAME ----	AGE ---	POSITION WITH THE COMPANY -----
Fredric H. Gould*	71	Chairman of the Board and Chief Executive Officer
Patrick J. Callan, Jr.	44	President and Director
Jeffrey A. Gould*	41	Senior Vice President and Director
Matthew J. Gould*	47	Senior Vice President and Director
David W. Kalish	60	Senior Vice President and Chief Financial Officer
Israel Rosenzweig	59	Senior Vice President
Simeon Brinberg**	73	Senior Vice President
Mark H. Lundy**	44	Senior Vice President and Secretary
Lawrence G. Ricketts, Jr.	30	Executive Vice President
Karen Dunleavy	48	Vice President, Financial and Treasurer

* Matthew J. Gould and Jeffrey A. Gould are Fredric H. Gould's sons.

** Mark H. Lundy is Simeon Brinberg's son-in-law.

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Fredric H. Gould. Mr. Gould has served as Chairman of the Board of One Liberty Properties since 1989 and as Chief Executive Officer from December 1999 to December 2001, and from July 2005 to the present. He also served as our President from July 2005 to December 2005. Mr. Gould has served as Chairman of the Board of Trustees of BRT Realty Trust, a real estate investment trust that focuses on mortgage lending, since 1984 and Chief Executive Officer of BRT Realty Trust from 1996 to December 2001. Since 1985, Mr. Gould has been an executive officer (currently Chairman of the Board) of the managing general partner of Gould Investors L.P., a limited partnership primarily engaged in the ownership and operation of real properties, and he serves as sole member of a limited liability company which is the other general partner of Gould Investors L.P. Mr. Gould is President of the advisor to BRT Realty Trust and a director of EastGroup Properties, Inc., a New York Stock Exchange listed real estate investment trust that focuses on ownership of industrial properties in major sunbelt markets throughout the United States.

Patrick J. Callan, Jr. Mr. Callan has been President of One Liberty Properties since January 2006 and a Director since June 2002. Mr. Callan was Senior Vice President of First Washington Realty, Inc. from March 2004 to December 2005, and Vice President of Real Estate for Kimco Realty Corporation, a real estate investment trust, from May 1998 to March 2004.

Jeffrey A. Gould. Mr. Gould has been a Vice President of One Liberty Properties since 1989 and a Senior Vice President and Director since December 1999. He was President and Chief Operating Officer of BRT Realty Trust from March 1996 to December 2001 and has been President and Chief Executive Officer of BRT Realty Trust since January 2002. Mr. Gould has served as a Trustee of BRT Realty Trust since March 1997. He has also served as a Senior Vice President of the managing general partner of Gould Investors L.P. since 1996.

Matthew J. Gould. Mr. Gould served as President and Chief Executive Officer of One Liberty Properties from 1989 to December 1999 and became a Senior Vice President and Director of One Liberty Properties in December 1999. He has served as President of the managing general partner of Gould Investors L.P. since 1996. He has been a Vice President of BRT Realty Trust since 1986, has served as a Trustee of BRT Realty Trust from March 2001 to March 2004 and since June 2004 and serves as a Vice President of the advisor to BRT Realty Trust.

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

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

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

Mark H. Lundy. Mr. Lundy has served as the Secretary of One Liberty Properties since June 1993 and a Vice President since June 2000 (Senior Vice President since June 2006). Mr. Lundy has been a Vice President of BRT Realty Trust since

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April 1993 (Senior Vice President since March 2005) and a Vice President of the managing general partner of Gould Investors L.P. since July 1990. He is an attorney-at-law and a member of the bars of New York and the District of Columbia.

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

Karen Dunleavy. Ms. Dunleavy has been Vice President, Financial of One Liberty Properties since August 1994 and Treasurer since June 2006. She has served as Treasurer of the managing general partner of Gould Investors L.P. since 1986. Ms. Dunleavy is a certified public accountant.

Item 2. Properties.

As of December 31, 2006, we owned 66 properties, including a 50% tenancy in common interest in one property, and participated in seven joint ventures that owned a total of six properties (including two vacant properties held for sale). The properties owned by us and our joint ventures are suitable and adequate for their current uses. The tables below set forth information as of December 31, 2006 concerning each property which we own and in which we currently own an equity interest. We and our joint ventures own fee title to each property.

Our Properties

Location -----	Type of Property -----	Percentage of 2007 Contractual Rental Income (1) -----	Approximate Building Square Feet -----
Baltimore, MD	Industrial	5.3%	367,000
Parsippany, NJ	Office	5.2	106,680
Hauppauge, NY	Flex	4.8	149,870
El Paso, TX	Retail	4.4	110,179
St. Cloud, MN	Industrial	4.2	338,000
Hanover, PA	Industrial	3.8	458,560
Plano, TX	Retail (2)	3.6	112,389
Greensboro, NC	Theater	3.4	61,213
Los Angeles, CA (3)	Office	3.4	106,262
Brooklyn, NY	Office	3.0	66,000
Knoxville, TN	Retail	2.8	35,330
Columbus, OH	Retail (2)	2.7	96,924
Plano, TX	Retail (4)	2.4	51,018
Philadelphia, PA	Industrial	2.4	166,000
Tucker, GA	Health & Fitness	2.2	58,800
Ronkonkoma, NY	Flex	2.0	89,500
Lake Charles, LA	Retail	1.9	54,229
Manhattan, NY	Residential	1.8	125,000
Cedar Park, TX	Retail (2)	1.8	50,810
Ft. Myers, FL	Retail	1.5	29,993

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Columbus, OH	Industrial	1.5	100,220
Grand Rapids, MI	Health & Fitness	1.5	130,000
Newark, DE	Retail	1.5	23,547
Atlanta, GA	Retail	1.4	50,400
Wichita, KS	Retail (2)	1.3	88,108
Saco, ME	Retail	1.3	91,400
Champaign, IL	Retail	1.3	50,530
Athens, GA	Retail	1.3	41,280
Greenwood Village, CO	Retail	1.2	45,000
Tyler, TX	Retail (2)	1.2	72,000
Onalaska, WI	Retail	1.1	63,919
Fayetteville, GA	Retail (2)	1.1	65,951
Melville, NY	Industrial	1.1	51,351

Location	Type of Property	Percentage of 2007 Contractual Rental Income (1)	Approximate Building Square Feet
Mesquite, TX	Retail (2)	1.1	22,900
Richmond, VA	Retail (2)	1.0	38,788
Amarillo, TX	Retail (2)	1.0	72,227
Virginia Beach, VA	Retail (2)	1.0	58,937
Selden, NY	Retail	.9	14,550
Lexington, KY	Retail (2)	.9	30,173
Antioch, TN	Retail	.9	34,059
Duluth, GA	Retail (2)	.9	50,260
Grand Rapids, MI	Health & Fitness	.8	72,000
Gurnee, IL	Retail	.8	22,768
Newport News, VA	Retail (2)	.8	49,865
Batavia, NY	Retail	.7	23,483
St. Louis, MO	Retail	.7	30,772
Somerville, MA	Retail	.7	12,054
Fairview Heights, IL	Retail	.7	31,252
Bluffton, SC	Retail (2)	.7	35,011
Ferguson, MO	Retail	.6	32,046
New Hyde Park, NY	Industrial	.6	89,000
Hauppauge, NY	Retail	.5	7,000
Vicksburg, MS	Retail	.5	2,790
Florence, KY	Retail	.4	31,252
Killeen, TX	Retail	.4	8,000
Houston, TX	Retail	.4	12,000
Flowood, MS	Retail	.4	4,505
Bastrop, LA	Retail	.4	2,607
Monroe, LA	Retail	.4	2,756
D'Iberville, MS	Retail	.4	2,650
Kentwood, LA	Retail	.4	2,578
Monroe, LA	Retail	.4	2,806
Vicksburg, MS	Retail	.4	4,505
Rosenberg, TX	Retail	.3	8,000
West Palm Beach, FL	Industrial	.3	10,361
Seattle, WA	Retail	.2	3,038
		-----	-----
		100%	4,332,456
		=====	=====

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Properties Owned
by Joint Ventures (5)

Location -----	Type of Property -----	Percentage of Our Share of Rent Payable in 2007 to Our Joint Ventures -----	Approximate Building Square Feet -----
Lincoln, NE	Retail	41.8%	112,260
Milwaukee, WI	Industrial	38.9	927,685
Miami, FL	Industrial	10.7	396,000
Savannah, GA	Retail	8.6	101,550
Shreveport, LA	Retail	Vacant	17,108
Monroe, NY	Land	Vacant	-
		-----	-----
		100%	1,554,603
		===	=====

- (1) Percentage of 2007 contractual rental income payable to us pursuant to leases as of December 31, 2006.
- (2) This property is leased to a retail furniture operator.
- (3) An undivided 50% interest in this property is owned by us as tenant in common with an unrelated entity. Percentage of contractual rental income indicated represents our share of the 2007 rental income. Approximate square footage indicated represents the total rentable square footage of the property.
- (4) Property has two tenants, of which approximately 54% is leased to a retail furniture operator.
- (5) Each property is owned by a joint venture in which we are a venture partner. Except for the joint venture which owns the Miami, Florida property, in which we own a 36% economic interest, we own a 50% economic interest in each joint venture. Approximate square footage indicated represents the total rentable square footage of the property owned by the joint venture.

The occupancy rate for our properties (including the property in which we own a tenancy in common interest), based on total rentable square footage, was 100% as of December 31, 2006 and 2005. The occupancy rate for the properties owned by our joint ventures (except for the Monroe, New York property which was vacant land at December 31, 2006 and was sold by the joint venture in March 2007), based on total rentable square footage, was approximately 98.9% as of December 31, 2006 and 2005.

As of December 31, 2006, the 66 properties owned by us and the 6 properties owned by our joint ventures are located in 28 states. The following table sets forth certain information, presented by state, related to our properties and properties owned by our joint ventures as of December 31, 2006.

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Our Properties

State -----	Number of Properties -----	2007 Contractual Rental Income -----	Approximate Building Square Feet -----
Texas	10	\$ 6,017,299	519,523
New York	9	5,550,014	615,754
Georgia	5	2,444,346	266,691
Pennsylvania	2	2,230,019	624,560
Maryland	1	1,924,423	367,000
New Jersey	1	1,874,901	106,680
Ohio	2	1,522,776	197,144
Minnesota	1	1,509,499	338,000
Tennessee	2	1,319,356	69,389
Louisiana	5	1,263,882	64,976
North Carolina	1	1,242,019	61,213
Other	27	9,192,970	1,101,526
	--	-----	-----
	66	\$ 36,091,504	4,332,456
	==	=====	=====

Properties Owned
by Joint Ventures

State -----	Number of Properties (1) -----	Our Share of Rent Payable in 2007 to Our Joint Ventures -----	Approximate Building Square Feet -----
Nebraska	1	\$ 603,594	112,260
Wisconsin	1	562,500	927,685
Florida	1	154,488	396,000
Georgia	1	123,750	101,550
Louisiana	1 (2)	-	17,108
	-	-----	-----
	5	\$1,444,332	1,554,603
	=	=====	=====

(1) Excludes vacant land located in Monroe, New York, which was sold in March, 2007.

(2) This property has been vacant since February 2004.

At December 31, 2006, we had first mortgages on 57 of the 66 properties we owned as of that date (including our 50% tenancy in common interest, but excluding properties owned by our joint ventures). At December 31, 2006, we had approximately \$221 million of mortgage loans outstanding, bearing interest at rates ranging from 5.13% to 8.8%. Substantially all of our mortgage loans

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contain prepayment penalties. In addition, we had one outstanding loan payable with a balance of approximately \$6.6 million at December 31, 2006, bearing interest at 6.25%. The following table sets forth scheduled principal mortgage and loan payments due for our properties as of December 31, 2006 (assumes no payment is made on principal on any outstanding mortgage or loan in advance of its due date):

YEAR ----	PRINCIPAL PAYMENTS DUE IN YEAR INDICATED ----- (Amounts in Thousands)
2007	\$ 4,717
2008	12,942
2009	9,998
2010	22,264
2011	8,538
2012 and thereafter	169,464

Total	\$227,923 =====

At December 31, 2006, our joint ventures had first mortgages on three properties with outstanding balances of approximately \$19.1 million, bearing interest at rates ranging from 5.8% to 6.4%. Substantially all these mortgages contain prepayment penalties. The following table sets forth the scheduled principal mortgage payments due for properties owned by our joint ventures as of December 31, 2006 (assumes no payment is made on principal on any outstanding mortgage in advance of its due date):

YEAR ----	PRINCIPAL PAYMENTS DUE IN YEAR INDICATED ----- (Amounts in Thousands)
2007	\$ 387
2008	410
2009	435
2010	462
2011	490
2012 and thereafter	16,954

Total	\$19,138 =====

Significant Tenant

As of December 31, 2006, no single property owned by us had a book value equal to or greater than 10% of our total assets or had revenues which accounted for more than 10% of our aggregate annual gross revenues in the year ended December 31, 2006. However, as of December 31, 2006, we owned a portfolio of eleven properties, (leased under a master lease to Haverty's Furniture Companies, Inc.) which had a net book value of 13% of our total assets at December 31, 2006 and revenues which accounted for 10.7% of our aggregate annual gross revenues in the year ended December 31, 2006.

On April 7, 2006, a wholly-owned subsidiary of ours acquired the eleven properties leased to Haverty's Furniture Companies, Inc. which are located as follows: three in each of Texas and Virginia, two in Georgia, and one in each of Kansas, Kentucky and South Carolina. The properties aggregate approximately 43 acres and contain buildings with an aggregate of approximately 612,130 square

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feet.

The properties are net leased to Haverty's Furniture Companies, Inc. pursuant to a master lease, which expires on August 14, 2022. Haverty's Furniture Companies, Inc. is a New York Stock Exchange listed company and operates over 100 showrooms in 17 states. The lease provides the tenant with two five-year renewal options, and under certain circumstances, three additional five-year renewal options. The lease provides for a current base rent of \$4,066,148 per annum, increasing on August 15, 2007 and every five years thereafter. Pursuant to the lease, the tenant is responsible for maintenance and repairs, and for real estate taxes and assessments on the properties. The aggregate 2006 annual real estate taxes on the properties were \$749,000. The tenant utilizes approximately 86% of the properties for retail and 14% of the properties for warehouse.

Upon the acquisition of the properties, our wholly-owned subsidiary assumed the existing mortgage loan which is secured by mortgages/deeds of trust on all eleven properties in the principal amount of approximately \$27 million. The mortgage loan bears interest at 6.87% per annum, matures on September 1, 2012 and is being amortized based on a 25-year amortization schedule. Assuming no additional payments are made on the principal amount of the mortgage loan in advance of the maturity date, the principal balance due on the maturity date will be approximately \$20 million. Although the mortgage loan provides for defeasances, it is generally not prepayable until 90 days prior to the maturity date.

Item 3. Legal Proceedings.

In July 2005, Jeffrey Fishman resigned as our president, chief executive officer and a member of our Board of Directors following discovery of what appeared to be inappropriate financial dealings by Mr. Fishman with the former tenant of a movie theater property located in Brooklyn, NY, formerly owned by a joint venture in which we are a 50% venture partner and the managing member. We had reported this matter to the Securities and Exchange Commission in July 2005. The Audit Committee of our Board of Directors conducted an investigation of this matter and related matters and retained special counsel to assist it in the investigation. This investigation was completed and the Audit Committee and its special counsel, based on the materials gathered and interviews conducted, found no evidence that any other officer or employee of our company was aware of, or knowingly assisted in, Mr. Fishman's inappropriate financial dealings.

On August 12, 2005, the former tenant of the Brooklyn, NY theater property, Pritchard Square Cinema LLC, and Pritchard Square LLC, commenced litigation in the Supreme Court of the State of New York, Nassau County against us, certain of our affiliated entities, Mr. Fishman and Britannia Management, LLC ("Britannia"), a company which we believe is owned and/or controlled by Mr. Fishman. Pritchard Square LLC was the seller and Pritchard Square Cinema LLC was the tenant of the Brooklyn, NY property which was acquired in a "sale and leaseback transaction" by the joint venture. The former tenant and its related entity allege that it or its affiliates paid \$815,000 in the aggregate to Mr. Fishman and/or Britannia. As against Mr. Fishman, Britannia, us and our affiliated entities, the complaint alleges fraud, breach of contract, intentional tort, negligent supervision, respondeat superior, negligent misrepresentation, tortious interference with prospective economic relations and conduct in violation of the Racketeer Influenced and Corrupt Organizations Act ("RICO"). The damages sought in the complaint are \$9 million plus punitive damages, interest and costs and a demand for treble damages under RICO. The Brooklyn, NY property was sold by the joint venture in September 2006.

On the same date that the complaint was filed against us and certain of our affiliated entities, we filed suit in the Supreme Court of the State of New

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York, Nassau County, against the former tenant of the Brooklyn, NY property, Norman Adie, the former tenant's principal, Mr. Fishman, Britannia and others. Our complaint alleges that Mr. Adie, Mr. Fishman and other defendants conspired to defraud us. Our lawsuit alleges commercial bribery, fraud, breach of fiduciary duty, tortious interference, intentional tort, violation of the New York Enterprise Corruption Act, respondeat superior, unjust enrichment and violations of RICO. The damages alleged in this lawsuit exceed \$1 million, plus punitive damages, interest and costs.

Motions were made by both parties to consolidate the two actions and the court ordered a consolidation of the actions for all purposes. Effective March 14, 2007, the consolidated actions were settled with respect to Pritchard Square Cinema LLC, Pritchard Square LLC, Norman Adie (the principal of both Pritchard Square entities) and certain other persons associated or affiliated with the Pritchard Square entities and Mr. Adie (the "Pritchard Square parties") on the one hand, and us and certain other persons associated or affiliated with us (the "One Liberty parties") on the other. Although the Pritchard Square parties entered into an agreement with and released Mr. Fishman, his wife, and Britannia, the litigation commenced by us and certain of our affiliated entities against Mr. Fishman, his wife, and Britannia continues. Under the terms of a settlement agreement entered into between the Pritchard Square parties and the One Liberty parties, a designee of Pritchard Square purchased from a joint venture in which we are a 50% joint venture partner, a property located in Monroe, New York for a consideration of \$1,250,000 and satisfied or caused to be satisfied two (2) mechanic's liens filed of record by two entities against the Monroe, New York property. In addition, the parties exchanged general releases and stipulations of discontinuance. Mr. Adie warranted and represented to us in the settlement agreement that he had no knowledge of, nor did he make or cause any agent of his, or in which he is or was affiliated, to make any payments to Mr. Fishman or any of his agents, entities or enterprises other than those payments described in the allegations contained in the litigation, and such representation of Mr. Adie is stated to be a material representation and an inducement to us to enter into the settlement agreement. In the event that such representation turns out to be false, we may reinstate and pursue the claims we had asserted against Mr. Adie.

On May 26, 2006, we received notification of a formal order of investigation from the SEC. We believe that the matters being investigated by the SEC focus on the improper payments received by Mr. Fishman. The SEC has also requested information regarding "related party" transactions between us and affiliated entities and with certain of our officers and directors and compensation paid to certain of our executive officers by those affiliates. Our Audit Committee (and its counsel), having previously conducted an investigation regarding Mr. Fishman's inappropriate financial dealings, has also investigated the related party transactions. Our direct legal expenses related to these investigations totaled \$726,000 in 2006.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K.

Part II

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

Our common stock is listed on the New York Stock Exchange. The following

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table sets forth the high and low prices for our common stock as reported by the New York Stock Exchange for 2006 and for 2005 and the per share cash distributions paid on our common stock during each quarter of the years ended December 31, 2006 and 2005.

2006	HIGH	LOW	DISTRIBUTIONS PER SHARE
----	----	---	-----
First Quarter	\$21.00	\$18.33	\$.33
Second Quarter	\$21.00	\$17.91	\$.33
Third Quarter	\$22.40	\$18.66	\$.33
Fourth Quarter	\$25.53	\$22.01	\$.36

2005	HIGH	LOW	DISTRIBUTIONS PER SHARE
----	----	---	-----
First Quarter	\$20.70	\$18.50	\$.33
Second Quarter	\$21.40	\$18.65	\$.33
Third Quarter	\$22.64	\$19.20	\$.33
Fourth Quarter	\$20.19	\$18.41	\$.33

As of March 2, 2007, there were 426 common stockholders of record and we estimate that at such date there were approximately 3,600 beneficial owners of our common stock.

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

Equity Compensation Plan Information

The following table provides information about shares of our common stock that may be issued upon the exercise of options, warrants, rights and restricted stock under our 2003 Stock Incentive Plan as of December 31, 2006.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted- average exercise price of outstanding options, warrants and rights
-----	-----	-----
	(a)	(b)
Equity compensation plans approved by security holders (1)	-	-

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Equity compensation plans not approved by security holders	-	-
	-----	-----
Total	-	-
	=====	=====

(1) Our 2003 Stock Incentive Plan, which was approved by our stockholders in 2003, is our only equity compensation plan. Our 2003 Stock Incentive Plan permits us to grant stock options and restricted stock to our employees, officers, directors and consultants. Currently, there are no options outstanding under our 2003 Stock Incentive Plan.

Purchase of Securities

In 2006, we did not purchase any of our outstanding equity securities.

Item 6. Selected Financial Data.

The following table sets forth the selected consolidated statement of operations data for each of the periods indicated, all of which are derived from our audited consolidated financial statements and related notes. The selected financial data for each of the three years in the period ended December 31, 2006 should be read together with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of and for the Year December 31		
	(Amounts in Thousands, Except		
	2006	2005	2004
	----	----	----
OPERATING DATA (Note a)			

Rental revenues	\$33,370	\$27,232	\$20,833
Equity in (loss) earnings of unconsolidated joint ventures (Note b)	(3,276)	2,102	2,869
Gain on dispositions of real estate of unconsolidated joint ventures	26,908	-	-
Net gain (loss) on sale of air rights, other and real estate	413	10,248	73
Income from continuing operations	31,882	19,182	7,733
Income from discontinued operations	4,543	2,098	3,241
Net income	36,425	21,280	10,974
Calculation of net income applicable to common stockholders (Note c):			
Net income	36,425	21,280	10,974
Less: dividends and accretion on preferred stock	-	-	-
Net income applicable to common stockholders	\$36,425	\$21,280	\$10,974
Weighted average number of common shares outstanding:			
Basic	9,931	9,838	9,728

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Diluted	9,934	9,843	9,744
Net income per common share - basic:			
Income from continuing operations	\$3.21	\$ 1.95	\$.80
Income from discontinued operations	.46	.21	_ .33
	-----	-----	-----
Net income	\$3.67	\$2.16	\$1.13
Net income per common share - diluted:			
Income from continuing operations	\$3.21	\$1.95	\$.80
Income from discontinued operations	.46	.21	.33
	-----	-----	-----
Net income	\$3.67	\$2.16	\$1.13
Cash distributions per share of:			
Common Stock	\$1.35	\$1.32	\$1.32
Preferred Stock (Note c)	-	-	-

BALANCE SHEET DATA

Real estate investments, net	\$351,841	\$258,122	\$228,536
Investment in unconsolidated joint ventures	7,014	27,335	37,023
Cash and cash equivalents	34,013	26,749	6,051
Total assets	422,037	330,583	284,386
Mortgages and loan payable	227,923	167,472	124,019
Line of credit	-	-	7,600
Total liabilities	241,912	175,064	138,271
Total stockholders' equity	180,125	155,519	146,115

OTHER DATA (Note d)

Funds from operations applicable to common stockholders	\$13,707	\$26,658	\$16,789
Funds from operations per common share:			
Basic	\$1.38	\$2.71	\$1.73
Diluted	\$1.38	\$2.71	\$1.72

Note a: Certain amounts reported in prior periods have been reclassified to conform to the current year's presentation.

Note b: For the year ended December 31, 2006, "Equity in (loss) earnings of unconsolidated joint ventures" is after giving effect to \$5.3 million, our share of the mortgage prepayment premium expense incurred in connection with the dispositions of real estate of unconsolidated joint ventures. This expense is reflected as interest expense on the books of the joint ventures and not netted against the gain on dispositions.

Note c: On December 30, 2003, we redeemed all of our outstanding preferred stock.

Note d: We consider funds from operations (FFO) to be a relevant and meaningful supplemental measure of the operating performance of an equity REIT, and it should not be deemed to be a measure of liquidity. FFO does not represent cash generated from operations as defined by generally accepted accounting principles (GAAP) and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating our performance or to cash flows as a measure of liquidity.

We compute FFO in accordance with the "White Paper on Funds From Operations" issued in April 2002 by the National Association of Real Estate Investment Trusts (NAREIT). FFO is defined in the White Paper as "net income

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(computed in accordance with generally accepting accounting principles), excluding gains (or losses) from sales of property, plus depreciation and amortization, 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, but those items that are defined as "extraordinary" under GAAP are added back to net income. Since the NAREIT White Paper only provides guidelines for computing FFO, the computation of FFO may vary from one REIT to another.

We believe that FFO is a useful and a standard supplemental measure of the operating performance for equity REITs and is used frequently by securities analysts, investors and other interested parties in evaluating equity REITs, many of which present FFO when reporting their operating results. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate assets, which assures 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 provides 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 to be useful to us in evaluating potential property acquisitions.

FFO does not represent net income or cash flows from operations as defined by GAAP. FFO should not be considered to be an alternative to net income as a reliable measure of our operating performance; nor should FFO be considered to be an alternative to cash flows from operating, investing or financing activities (as defined by GAAP) as measures of liquidity.

FFO does not measure whether cash flow is sufficient to fund all of our cash needs, including principal amortization, capital improvements and distributions to stockholders. FFO does not represent cash flows from operating, investing or financing activities as defined by GAAP.

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

The table below provides a reconciliation of net income in accordance with GAAP to FFO, as calculated under the current NAREIT definition of FFO, for each of the years in the five year period ended December 31, 2006.

	2006	2005	2004
	----	----	----
Net income (Note 1)	\$36,425	\$21,280	\$10,974
Add: depreciation of properties	7,091	5,905	4,758
Add: our share of depreciation in unconsolidated joint ventures	716	1,277	1,075
Add: amortization of deferred leasing costs	43	101	55
Deduct: (gain) loss on sale of real estate	(3,660)	(1,905)	(73)
Deduct: gain on dispositions of real estate			

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of unconsolidated joint ventures	(26,908)	-	-
Deduct: preferred distributions	-	-	-
	-----	-----	-----
 Funds from operations applicable to common stockholders (Note 1)	 \$13,707	 \$26,658	 \$16,789
	=====	=====	=====

Note 1: For the year ended December 31, 2006, net income and funds from operations applicable to common stockholders (FFO) is after giving effect to \$5.3 million, our share of the mortgage prepayment premium expense incurred in connection with the dispositions of real estate of unconsolidated joint ventures. This expense is reflected as interest expense on the books of the joint ventures and not netted against gain on dispositions.

For the year ended December 31, 2005, net income and FFO include \$10.2 million from the gain on sale of air rights.

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

	2006	2005	2004
	----	----	----
Net income (Note 2)	\$3.67	\$2.16	\$1.13
Add: depreciation of properties	.71	.60	.49
Add: our share of depreciation in unconsolidated joint ventures	.07	.13	.11
Add: amortization of deferred leasing costs	.01	.01	-
Deduct: gain on sale of real estate	(.37)	(.19)	(.01)
Deduct: gain on dispositions of real estate of unconsolidated joint ventures	(2.71)	-	-
Deduct: preferred distributions	-	-	-
	-----	-----	-----
 Funds from operations applicable to common stockholders (Note 2)	 \$1.38	 \$2.71	 \$1.72
	=====	=====	=====

Note 2: For the year ended December 31, 2006, net income and FFO is after \$.53, our share of the mortgage prepayment premium expense. See Note 1 above. For the year ended December 31, 2005, net income and FFO include \$1.04 from the gain on sale of air rights.

Item 7. Management's Discussion and Analysis of Financial Condition and
Results of Operations.

General

We are a self-administered and self-managed REIT and we primarily own real estate that we net lease to tenants. As of December 31, 2006, we owned 66 properties, including a 50% tenancy in common interest in one property, and

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participated in seven joint ventures that owned a total of six properties (including two vacant properties held for sale). These 72 properties are located in 28 states.

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we currently distribute at least 90% of ordinary taxable income to our stockholders. We intend to comply with these requirements and to maintain our REIT status.

Our principal business strategy is to acquire improved, commercial properties subject to long-term net leases. We acquire properties for their value as long-term investments and for their ability to generate income over an extended period of time. We have borrowed funds in the past to finance the purchase of real estate and we expect to do so in the future.

Our rental properties are generally leased to corporate tenants under operating leases substantially all of which are noncancellable. Substantially all of our lease agreements are net lease arrangements that require the tenant to pay not only rent, but also substantially all of the operating expenses of the leased property, including maintenance, taxes, utilities and insurance. A majority of our lease agreements provide for periodic rental increases and certain of our other leases provide for increases based on the consumer price index.

During the year ended December 31, 2006, we purchased 22 single tenant properties located in 11 states, for a total consideration of \$111.9 million. These purchases include our April 2006 acquisition of 11 properties for a consideration of \$55.7 million that are net leased to a single tenant under a master lease. An aggregate of \$35.9 million of first mortgage financing was completed with respect to ten of these properties and we assumed a pre-existing first mortgage loan of \$27 million on the 11 properties purchased in April 2006.

We are a venturer in two joint ventures organized for the purpose of acquiring and owning megaplex stadium-style movie theaters. We own a 50% equity interest and are the managing member in each of these ventures with the same co-venturer. One of our movie theater joint ventures sold all five of its movie theater properties in October 2006 for \$91.3 million and realized a gain of \$35.2 million on the sale, after the payment of closing expenses and brokerage fees. In connection with this sale, the joint venture paid \$4.9 million in prepayment premiums to its mortgage lender, which is reflected as interest expense on the books of the joint venture and not netted against the gain on sale. This movie theater joint venture does not currently own any real property. The second movie theater joint venture sold one movie theater property in September 2006 for \$16 million and three movie theater properties in October 2006 for \$45.3 million, and realized an aggregate gain of \$20.5 million on the sales, after the payment of closing expenses and brokerage fees. In connection with these sales, the joint venture paid \$5.6 million in prepayment premiums to its mortgage lenders, which is reflected as interest expense and not netted against the gain on sale. At December 31, 2006, the second movie theater joint venture owned one property, .26 of an acre of vacant land located in Monroe, New York and sold this property in March 2007. Our equity investment in these joint ventures at December 31, 2006 was \$284,000, net of distributions. As of December 31, 2006, we are also a joint venturer in five additional joint ventures, each of which owns one single-tenanted property. Our equity investment in these five joint ventures at December 31, 2006 was \$6.7 million, net of distributions.

At December 31, 2006, excluding mortgages payable of our unconsolidated joint ventures, we had 36 outstanding mortgages payable, aggregating \$221 million in principal amount, all of which are secured by first liens on individual real estate investments with an aggregate carrying value, as adjusted for intangibles, of approximately \$351.8 million before accumulated

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depreciation. The mortgages bear interest at fixed rates ranging from 5.13% to 8.8%, and mature between 2007 and 2037. In addition, we had one loan payable outstanding with a principal amount of \$6.6 million, bearing interest at 6.25% and maturing in 2018.

Results of Operations

Outlook

We anticipate that in 2007 we will use any available cash (after taking into account required cash distributions to shareholders), funds derived from the placement of additional mortgages and a credit line to acquire additional properties, either directly or through joint ventures. As a result, we anticipate that we will acquire and own additional properties and unless we experience an unexpected number of lease terminations and/or cancellations in 2007 (taking into consideration the lease expirations and terminations that we know will occur in 2007, and without giving effect to any re-letting of such properties), we anticipate that our revenues will increase in 2007.

Comparison of Years Ended December 31, 2006 and December 31, 2005

Rental Revenues

Rental revenues increased by \$6.1 million, or 22.5%, to \$33.4 million for the year ended December 31, 2006 from \$27.2 million for the year ended December 31, 2005. The increase in rental revenues is substantially due to rental revenues earned during the year ended December 31, 2006 on 30 properties acquired by us between January 2005 and December 2006.

Operating Expenses

Depreciation and amortization expense increased by \$1.6 million, or 28.8%, to \$7 million for the year ended December 31, 2006 from \$5.4 million for the year ended December 31, 2005. The increase in depreciation and amortization was due to the acquisition of 30 properties between January 2005 and December 2006.

General and administrative expenses increased by \$1.1 million, or 26.8%, to \$5.3 million for the year ended December 31, 2006 from \$4.1 million for the year ended December 31, 2005. The increase was due to a number of factors, including a \$495,000 increase in payroll and payroll related expenses resulting primarily from compensation paid to our president (elected effective January 1, 2006) for all of 2006, while we did not have any payroll expenses for our president for five months in 2005, as well as from staff increases. An increase of \$166,000 relates to professional fees incurred in connection with an investigation by the Securities and Exchange Commission described elsewhere in this report (Part I - Item 3 - Legal Proceedings) and investigations by our Audit Committee. Similarly, there was an increase of \$72,000 in legal fees relating to a civil litigation arising out of the activities of our former president and chief executive officer. Additionally, for the year ended December 31, 2006, expenses allocated to us under the Shared Services Agreement among us and various affiliated companies, increased by \$109,000 for executive and support personnel, primarily legal and accounting services, a significant portion of which relates to the SEC and Audit Committee investigations, as well as to property acquisitions and the overall increase in the level of our business activity. Also included in the year ended December 31, 2006, is a \$222,000 increase in compensation expense relating to our restricted stock program. The balance of the increase in general and administrative expenses includes an increase in directors' fees.

Federal excise tax of \$490,000 was accrued at December 31, 2006, based

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on taxable income generated but not yet distributed. There was no such tax for the year ended December 31, 2005.

Real estate expenses decreased by \$74,000, or 21.5%, to \$270,000 for the year ended December 31, 2006, resulting primarily from unusual repair items incurred in the year ended December 31, 2005 at three properties.

Other Income and Expenses

Our equity in earnings of unconsolidated joint ventures decreased by \$5.4 million, or 256%, to a loss of \$3.3 million for the year ended December 31, 2006 from income of \$2.1 million for the year ended December 31, 2005. This decrease resulted primarily from \$10.5 million of prepayment premiums, of which 50%, or \$5.3 million is our share, paid by two of our joint ventures upon the sales of its nine movie theater properties. Such sales also contributed to an operating income decrease from these ventures of \$1.3 million, of which \$646,000 is our share, caused by a decrease in rental income, offset in part by a decrease in mortgage interest expense and depreciation. The decrease in earnings from unconsolidated joint ventures also resulted from a \$960,000 provision for valuation adjustment, of which 50%, or \$480,000 was our share, by one of our joint ventures which owns a vacant property. These decreases were offset, in part, by a \$2.56 million provision for valuation adjustment taken in the year ended December 31, 2005 by one of our movie theater joint ventures against its vacant parcel of land, of which 50%, or \$1.3 million, was our share. During the year ended December 31, 2006, the joint venture recorded an additional \$600,000 provision against this property, of which \$300,000 is our share. The joint venture sold this property in March 2007 for an aggregate consideration of \$1.25 million.

Gain on dispositions of real estate of unconsolidated joint ventures resulted from the sales of nine movie theater properties by two of our joint ventures. On September 13, 2006, one of our joint ventures sold a movie theater property located in Brooklyn, New York to an unrelated party for \$16 million. The joint venture recognized a gain of \$6.6 million on the sale, of which our share is \$3.3 million. On October 5, 2006, two of our joint ventures sold eight movie theater properties to a single unrelated party for an aggregate of \$136.7 million and realized a gain of \$49 million on the sale, of which \$24.5 million is our share. We wrote off the unamortized premium balance of \$924,000 in our investment in this joint venture against such gain.

Interest and other income increased by \$585,000, or 186%, to \$899,000 for the year ended December 31, 2006. The primary reason for the increase was the investment in short-term cash equivalents of the distributions received from the movie theater joint ventures upon the sale of its nine theater properties.

Interest expense increased by \$2.8 million, or 28.3%, including an increase of \$2.9 million on our mortgages payable, principally resulting from mortgages placed on 20 properties between March 2005 and December 2006 and the assumption of a mortgage in connection with the purchase of 11 properties in April 2007. The increase was offset by a \$215,000 decrease in interest expense related to our line of credit.

During February 2006, we sold an option to buy an interest in certain property adjacent to one of our properties and recognized a gain on the sale of \$228,000. In June 2005, we closed on the sale of unused development or "air rights" relating to our property located in Brooklyn, New York for a net gain, after closing costs, of approximately \$10.25 million. These gains are included in "Gain on sale of air rights and other gains."

Included in gain on sale of real estate is our sale of excess acreage at a property we own to an unrelated party. We recognized a gain of \$185,000 in July 2006 from this sale.

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Discontinued Operations

Income from discontinued operations increased by \$2.4 million, or 117%, to \$4.5 million for the year ended December 31, 2006. This increase was primarily due to the \$3.7 million gain on sale of a movie theater that was wholly owned by us and sold for \$15.2 million. This sale was part of a sale which closed on October 5, 2006 pursuant to which an unrelated party purchased one movie theater from us and eight movie theaters from two of our joint ventures. This increase was offset in part by net gains of \$1.9 million in the year ended December 31, 2005 on the sale of five of our properties. The increase in discontinued operations also resulted from an increase in income from operations caused by a \$469,000 provision for valuation adjustment that was recorded in the year ended December 31, 2005 against one of the properties which was sold later in that year.

Comparison of Years Ended December 31, 2005 and December 31, 2004

Rental Revenues

Rental revenues increased by \$6.4 million, or 30.7%, to \$27.2 million for the year ended December 31, 2005 from \$20.8 million for the year ended December 31, 2004. The increase in rental revenues is substantially due to rental revenues earned during the year ended December 31, 2005 on fourteen properties acquired by us between March 2004 and November 2005.

Operating Expenses

Depreciation and amortization expense increased by \$1.4 million, or 35.4%, to \$5.4 million for the year ended December 31, 2005 from \$4 million for the year ended December 31, 2004. The increase in depreciation and amortization was due to the acquisition of fourteen properties between March 2004 and November 2005.

General and administrative expenses increased by \$1 million, or 32.4%, to \$4.1 million for the year ended December 31, 2005 from \$3.1 million for the year ended December 31, 2004. The increase was due to a number of factors, the largest of which (totaling \$560,000 and representing approximately 55% of the increase) relates to the fees of Special Counsel retained by our Audit Committee in connection with its investigation into certain financial dealings of our former president and chief executive officer. Additional legal fees were incurred relating to a litigation arising out of the matter involving our former president and chief executive officer. In addition, for the year ended December 31, 2005 expenses allocated to us under a Shared Services Agreement among us and various affiliated companies, increased by \$228,000, primarily due to an increase in our level of business activity, including property acquisitions, mortgage financings, Sarbanes-Oxley Act compliance, and activities related to the Audit Committee's investigation. Also included in the year ended December 31, 2005 is a \$73,000 increase in compensation expense relating to the restricted stock program established in July 2003. The balance of the increase in general and administrative expenses for the year ended December 31, 2005, as compared to the year ended December 31, 2004, is due to increases in a number of items including auditing expenses, fees relating to our internal control audit, as required by Section 404 of the Sarbanes-Oxley Act, an increase in directors' fees (resulting primarily from additional fees to members of our Audit Committee in connection with its investigation), an increase in directors and officers liability insurance, and an increase in state taxes. Offsetting these increases in expenses was a decrease in payroll and payroll related expenses resulting from the resignation of our president and chief executive officer in July 2005 and a decrease in public company expense as we incurred a listing fee in 2004 in connection with the listing of our common stock on the New York Stock Exchange.

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Real estate expenses decreased by \$151,000, or 30.5%, to \$344,000 for the year ended December 31, 2005. This decrease was primarily due to real estate operating expenses incurred at two vacant properties in 2004, one of which was sold in 2004 and the other renovated and relet.

Other Income and Expenses

Our equity in earnings of unconsolidated joint ventures decreased by \$767,000, or 26.7%, to \$2.1 million for the year ended December 31, 2005 from \$2.9 million for the year ended December 31, 2004. The decrease resulted primarily from a \$2.56 million provision for valuation adjustment taken by one of our movie theater joint ventures against one of its five properties, of which 50%, or \$1.3 million, is our share. The decrease in our equity in earnings of joint ventures year versus year was also a result of the vacancy (due to the rejection of the lease by the bankrupt tenant) of a retail property owned by a joint venture in which we have a 50% equity position, and the sale in 2004 by this venture of its bankruptcy claim against the former tenant. The decrease in our equity in earnings of unconsolidated joint ventures was offset in part by our share of income earned by two joint ventures organized in the second half of 2004. Additionally, in 2005, the operator of one of the movie theaters owned by one of our joint ventures sold its business to an independent third party, which sale resulted in the payment to us in 2005 of rental arrearages totaling \$592,000. We have a 50% interest in this joint venture and the payment resulted in an additional \$296,000 in equity earnings to us for the year ended December 31, 2005. An additional increase in equity earnings to us in 2005 resulted from rent payments from the new tenant of this movie theater and the write off during the year ended December 31, 2004 of the entire balance of the unbilled rent receivable relating to this movie theater.

Interest and other income decreased by \$72,000, or 18.7% to \$314,000 for the year ended December 31, 2005. The primary reason for the decrease was the receipt by us in 2004 of \$134,000 of net acquisition fees from a joint venture we organized in that year. The net acquisition fee reflects a 50% reduction based on our ownership in the joint venture. This decrease was offset, in part, by an increase of \$57,000 in interest income earned in 2005 from the investment of funds obtained from mortgage financings and property sales.

Interest expense increased by \$1.6 million, or 19.4%, \$1.4 million of which resulted from mortgages placed on twelve properties between September 2004 and December 2005 and the assumption of a mortgage in connection with the purchase of one property in November 2004. The increases were offset by a \$432,000 decrease in interest on a mortgage which was paid in full at its maturity during May 2005. Interest expense related to our line of credit increased by \$229,000 due to borrowings made to facilitate the purchase of several properties.

On June 30, 2005, we closed on the sale of unused development or "air rights" relating to our property located in Brooklyn, New York. The purchase price was approximately \$11 million and in addition, the purchaser paid some of our closing expenses. The financial statement gain of \$10.25 million, recognized in the year ended December 31, 2005, has been deferred for tax purposes since we entered into a 1031 tax deferred exchange and used the sale proceeds to acquire an additional property.

Discontinued Operations

In May 2005, we sold a property located in Jupiter, Florida for \$16.5 million and recognized a gain of \$582,000.

In September 2005, we sold a property located in Cedar Rapids, Iowa for \$1.8 million and recognized a gain of \$639,000.

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In October 2005, we sold a property located in Houston, Texas for \$1.5 million and recognized a gain of \$324,000.

In November 2005, we sold a property located in Chattanooga, Tennessee for \$3 million and recognized a gain of \$369,000.

During the year ended December 31, 2005, we determined that the estimated fair value of a property held for sale was lower than the carrying amount and we recorded a \$469,000 provision for the difference. This provision was in addition to the \$366,000 provision on this property recorded by us for the year ended December 31, 2004. In early 2004, the retail tenant at this property filed for bankruptcy protection, disaffirmed its lease and vacated the store. This property was sold for a loss of \$9,000 (after giving effect to the \$835,000 in total provisions) in December 2005.

The operations of these five properties that were sold in 2005 and the one property sold in 2006 and the gain or loss recognized on sale are reported as discontinued operations. For the year ended December 31, 2005 these six properties generated net income of \$193,000 as compared to net income in the year ended December 31, 2004 of \$3.2 million. The net gain on sale of these five properties in 2005 was \$1.9 million. Accordingly, we reported income from discontinued operations of \$2.1 million for the year ended December 31, 2005 as compared to \$3.2 million for the year ended December 31, 2004, a decrease of \$1.1 million year versus year.

Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, our revolving credit facility and cash generated from operating activities, including mortgage financings. We are a party to a credit agreement, as amended, with VNB New York Corp., Bank Leumi, USA, Manufacturers and Traders Trust Company and Israel Discount Bank of New York which provides for a \$62.5 million revolving credit facility. The credit facility is available to us to pay down existing mortgages, to fund the acquisition of additional properties or to invest in joint ventures. The facility matures on March 31, 2007. Borrowings under the facility bear interest at the lower of LIBOR plus 2.50% or at the bank's prime rate and there is an unused facility fee of 1/4% per annum. Net proceeds received from the sale or refinancing of properties are required to be used to repay amounts outstanding under the facility if proceeds from the facility were used to purchase or refinance the property. The facility is guaranteed by our subsidiaries that own unencumbered properties and is secured by the outstanding stock of subsidiary entities. As of December 31, 2006 and as of March 1, 2007, there is no outstanding balance under the facility. We are in the process of amending our credit facility which will extend the maturity date from March 31, 2007 to March 31, 2010 and will reduce the interest rate from its current rate to the lower of LIBOR plus 2.15% or the bank's prime rate. All other material terms and conditions contained in our current credit facility will remain the same. We will pay a commitment fee and other expenses of approximately \$650,000 in connection with this amendment.

We are actively engaged in seeking additional property acquisitions and are involved in various stages of negotiation with respect to the acquisition of additional net leased properties. We will use our available cash and cash equivalents, cash provided from operations, cash provided from mortgage financings and funds available under our credit facility to fund acquisitions.

The following sets forth our contractual cash obligations as of December 31, 2006, which relate to interest and amortization payments and balances due at maturity under outstanding mortgages secured by our properties for the periods indicated (amounts in thousands):

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Contractual Obligations -----	Total -----	Less than 1 Year -----	Payment due by period	
			1-3 Years -----	4-5 Years -----
Mortgages and loan payable - interest and amortization	\$158,422	\$18,432	\$38,005	\$26,909
Mortgages and loan payable - balances due at maturity	171,302 -----	3,831 -----	8,776 -----	26,817 -----
Total	\$329,724 =====	\$22,263 =====	\$46,781 =====	\$53,726 =====

As of December 31, 2006, we had outstanding approximately \$228 million in long-term mortgage and loan indebtedness (excluding mortgage indebtedness of our unconsolidated joint ventures), all of which is non-recourse (subject to standard carve-outs). We expect that debt service payments of approximately \$56.4 million due in the next three years will be paid primarily from cash generated from our operations. We anticipate that loan maturities of approximately \$12.6 million due in the next three years will be paid primarily from mortgage financings or refinancings. If we are not successful in refinancing our existing indebtedness or financing our unencumbered properties, our cash flow, funds available under our credit facility and available cash, if any, may not be sufficient to repay all maturing debt when payments become due, and we may be forced to sell additional equity or dispose of properties on disadvantageous terms.

In addition, we, as ground lessee, are obligated to pay rent under a ground lease for a property owned in fee by an unrelated third party. The annual fixed leasehold rent expense is as follows:

Total -----	2007 -----	2008 -----	2009 -----	2010 -----	2011 -----	More than 5 Years -----
\$4,223,976	\$237,500	\$237,500	\$262,240	\$296,875	\$296,875	\$2,892,986

We had no outstanding contingent commitments, such as guarantees of indebtedness, or any other contractual cash obligations at December 31, 2006.

Cash Distribution Policy

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute currently at least 90% of our ordinary taxable income to our stockholders. It is

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our current intention to comply with these requirements and maintain our REIT status. As a REIT, we generally will not be subject to corporate federal, state or local income taxes on taxable income we distribute currently (in accordance with the Internal Revenue Code and applicable regulations) to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal, state and local income taxes at regular corporate rates and may not be able to qualify as a REIT for four subsequent tax years. Even if we qualify for federal taxation as a REIT, we may be subject to certain state and local taxes on our income and to federal income taxes on our undistributed taxable income (i.e., taxable income not distributed in the amounts and in the time frames prescribed by the Internal Revenue Code and applicable regulations thereunder) and are subject to federal excise taxes on our undistributed taxable income.

It is our intention to pay to our stockholders within the time periods prescribed by the Internal Revenue Code no less than 90%, and, if possible, 100% of our annual taxable income, including taxable gains from the sale of real estate and recognized gains on the sale of securities. It will continue to be our policy to make sufficient cash distributions to stockholders in order for us to maintain our REIT status under the Internal Revenue Code.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Significant Accounting Policies

Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements. Certain of our accounting policies are particularly important to an understanding of our financial position and results of operations and require the application of significant judgment by our management; as a result they are subject to a degree of uncertainty. These significant accounting policies include:

Revenues

Our revenues, which are substantially derived from rental income, include rental income that our tenants pay in accordance with the terms of their respective leases reported on a straight line basis over the initial term of each lease. Since many of our leases provide for rental increases at specified intervals, straight line basis accounting requires us to record as an asset and include in revenues, unbilled rent receivables which we will only receive if the tenant makes all rent payments required through the expiration of the initial term of the lease. Accordingly, our management must determine, in its judgment, that the unbilled rent receivable applicable to each specific tenant is collectible. We review unbilled rent receivables on a quarterly basis and take into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant is engaged and economic conditions in the area in which the property is located. In the event that the collectability of an unbilled rent receivable is in doubt, we would be required to take a reserve against the receivable or a direct write off of the receivable, which would have an adverse affect on net income for the year in which the reserve or direct write off is taken and would decrease total assets and stockholders' equity.

Value of Real Estate Portfolio

We review our real estate portfolio on a quarterly basis to ascertain if there has been any impairment in the value of any of our real estate assets in order to determine if there is any need for a provision for valuation adjustment. In reviewing the portfolio, we examine the type of asset, the

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economic situation in the area in which the asset is located, the economic situation in the industry in which the tenant is involved and the timeliness of the payments made by the tenant under its lease, as well as any current correspondence that may have been had with the tenant, including property inspection reports. For each real estate asset owned for which indicators of impairment exist, recognition of impairment is required if the calculated value is less than the asset's carrying amount. We generally do not obtain any independent appraisals in determining value but rely on our own analysis and valuations. Any provision taken with respect to any part of our real estate portfolio will reduce our net income and reduce assets and stockholders' equity to the extent of the amount of the valuation adjustment, but it will not affect our cash flow until such time as the property is sold.

Purchase Accounting for Acquisition of Real Estate

The fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases and other value of in-place leases based in each case on their fair values. The fair value of the tangible assets of an acquired property (which includes land and building) is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and building based on management's determination of relative fair values of these assets. The allocation made by management may have a positive or negative effect on net income and may have an effect on the assets and liabilities on the balance sheet.

Item 7A. Qualitative and Quantitative Disclosures About Market Risk.

All of our long-term mortgage debt 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 credit line is a variable rate facility which is sensitive to interest rates. Therefore, our primary market risk exposure is the effect of changes in interest rates on the interest cost of draws on our line of credit. Under current market conditions, we do not believe that our risk of material potential losses in future earnings, fair values and/or cash flows from near-term changes in market rates that we consider reasonably possible is material.

The fair market value (FMV) 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.

The following table sets forth our long-term debt obligations by scheduled principal cash flow payments and maturity date, weighted average interest rates and estimated FMV at December 31, 2006 (amounts in thousands):

For the Year Ended December 31

2007	2008	2009	2010	2011	There- after	Total
----	----	----	----	----	-----	-----

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Long term debt	\$4,717	\$12,942	\$9,998	\$22,264	\$ 8,538	\$169,464	\$227,923
Fixed rate weighted average interest rate	6.51%	6.50%	6.50%	6.39%	6.33%	6.33%	6.36%
Variable rate	-	-	-	-	-	-	-

Item 8. Financial Statements and Supplementary Data.

This information appears in Item 15(a) of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and
Financial Disclosure.

None.

Item 9A. Controls and Procedures.

A review and evaluation was performed by our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on that review and evaluation, the CEO and CFO have concluded that our current disclosure controls and procedures, as designed and implemented, were effective. There have been no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the date of their evaluation. There were no significant material weaknesses identified in the course of such review and evaluation and, therefore, we took no corrective measures.

Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by a company's board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- o pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of a company;
- o provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of a company are being made only in accordance with authorizations of management and directors of a company; and
- o provide reasonable assurance regarding prevention or timely detection

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of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2006. In making this assessment, our management used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on its assessment, our management believes that, as of December 31, 2006, our internal control over financial reporting was effective based on those criteria.

Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on management's assessment of our internal control over financial reporting. This report appears on page F1 of this Annual Report on Form 10-K.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We have an amended and restated Code of Business Conduct and Ethics that applies to all directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. You can find our Code of Business Conduct and Ethics on our web site by going to the following address: www.onelibertyproperties.com. We will post any amendments to our amended and restated Business Code of Conduct and Ethics as well as any waivers that are required to be disclosed by the rules of either the Securities and Exchange Commission or The New York Stock Exchange, on our web site.

Our Board of Directors has adopted Corporate Governance Guidelines and Charters for the Audit, Compensation and Nominating and Corporate Governance Committees of the Board of Directors. You can find these documents on our web site by going to the following address: www.onelibertyproperties.com.

You can also obtain a printed copy of any of the materials referred to above by contacting us at the following address: One Liberty Properties, Inc., 60 Cutter Mill Road, Great Neck, New York 11021, Attention: Secretary, telephone number (1-800-450-5816).

The Audit Committee of our Board of Directors is an "Audit Committee" for the purposes of Section 3(a) (58) of the Securities Exchange Act of 1934, as amended. The members of that Committee are Charles Biederman, Chairman, Joseph A. DeLuca and James J. Burns.

Apart from certain information concerning our executive officers which is set forth in Part I of this Annual Report, the other information required by

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this Item is incorporated herein by reference to the applicable information in the proxy statement for our 2007 Annual Meeting of Stockholders including the information set forth under the captions "Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Governance of the Company."

Item 11. Executive Compensation.

The information concerning our executive compensation required by Item 11 shall be included in the Proxy Statement to be filed relating to our 2007 Annual Meeting of Stockholders and is incorporated herein by reference, including the information set forth under the caption "Executive Compensation," "Compensation of Directors," "Compensation Committee Interlocks and Insider Participation" and "Report of Compensation Committee."

Item 12. Security Ownership of Certain Beneficial Owners and Management and ----- Related Stockholder Matters. -----

The information concerning our beneficial owners and management required by Item 12 shall be included in the Proxy Statement to be filed relating to our 2007 Annual Meeting of Stockholders and is incorporated herein by reference, including the information set forth under the caption "Stock Ownership of Certain Beneficial Owners, Directors and Officers."

Equity compensation plan information is incorporated by reference from Part II, Item 5, "Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities," of this report.

Item 13. Certain Relationships and Related Transactions.

The information concerning certain relationships, related transactions and director independence required by Item 13 shall be included in the Proxy Statement to be filed relating to our 2007 Annual Meeting of Stockholders and is incorporated herein by reference, including the information set forth under the caption "Certain Relationships and Related Transactions," and "Governance of the Company."

Item 14. Principal Accountant Fees and Services.

The information concerning our principal accounting fees required by Item 14 shall be included in the Proxy Statement to be filed relating to our 2007 Annual Meeting of Stockholders and is incorporated herein by reference, including the information set forth under the caption "Independent Registered Public Accounting Firm."

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Report:

- (1) The following financial statements of the Company are included in this Report on Form 10-K:

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- Reports of Independent Registered Public Accounting Firm F-1 through
- Statements:
 - Consolidated Balance Sheets F-3
 - Consolidated Statements of Income F-4
 - Consolidated Statements of Stockholders' Equity F-5
 - Consolidated Statements of Cash Flows F-6 through
 - Notes to Consolidated Financial Statements F-8 through
- (2) Financial Statement Schedules:
 - Schedule III-Real Estate and Accumulated Depreciation F-31 through

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or the notes thereto.

- (3) Exhibits:
 - 3.1 Articles of Amendment and Restatement of One Liberty Properties, Inc., dated July 20, 2004 (incorporated by reference to Exhibit 3.1 to One Liberty Properties, Inc.'s Form 10-Q for the quarter ended June 30, 2004).
 - 3.2 Articles of Amendment to Restated Articles of Incorporation of One Liberty Properties, Inc. filed with the State of Assessments and Taxation of Maryland on June 17, 2005 (incorporated by reference to Exhibit 3.1 to One Liberty Properties, Inc.'s Form 10-Q for the quarter ended June 30, 2005).
 - 3.3 Articles of Amendment to Restated Articles of Incorporation of One Liberty Properties, Inc. filed with the State of Assessments and Taxation of Maryland on June 21, 2005 (incorporated by reference to Exhibit 3.2 to One Liberty Properties, Inc.'s Form 10-Q for the quarter ended June 30, 2005).
 - 3.4 By-Laws of One Liberty Properties, Inc., as amended (incorporated by reference to Exhibit 3.2 to One Liberty Properties, Inc.'s Form 10-K for the year ended December 31, 2004).
 - 3.5 Amendment to By-Laws of One Liberty Properties, Inc. (incorporated by reference to Exhibit 3.1 to One Liberty Properties, Inc.'s Form 8-K filed on March 14, 2006).
 - 4.1 One Liberty Properties, Inc. 1996 Stock Option Plan (incorporated by reference to Exhibit 10.5 to One Liberty Properties, Inc.'s Registration Statement on Form S-2, Registration No. 333-86850, filed on April 24, 2002 and declared effective on May 24, 2002).
 - 4.2 One Liberty Properties, Inc. 2003 Incentive Plan (incorporated by reference to Exhibit 4.1 to One Liberty Properties, Inc.'s Registration Statement on Form S-8 filed on July 15, 2003).
 - 4.3 Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to One Liberty Properties, Inc.'s Registration Statement on Form S-2, Registration No. 333-86850, filed on April 24, 2002 and declared

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effective on May 24, 2002).

- 10.1 Amended and Restated Loan Agreement, dated as of June 4, 2004, by and among One Liberty Properties, Inc., Valley National Bank, Merchants Bank Division, Bank Leumi USA, Israel Discount Bank of New York and Manufacturers and Traders Trust Company (incorporated by reference to the Exhibit to One Liberty Properties, Inc.'s Form 8-K filed on June 8, 2004).
- 10.2 Shared Services Agreement, dated as of January 1, 2002, by and among One Liberty Properties, Inc., Gould Investors L.P., BRT Realty Trust, Majestic Property Management Corp., Majestic Property Affiliates, Inc. and REIT Management Corp. (incorporated by reference to Exhibit 15 to One Liberty Properties, Inc.'s Form 10-K for the year ended December 31, 2002).
- 10.3 Compensation and Services Agreement, effective as of January 1, 2007, between One Liberty Properties, Inc. and Majestic Property Management Corp. (incorporated by reference to Exhibit 10.1 to One Liberty Properties, Inc.'s Form 8-K filed on March 14, 2007).
- 10.4 Purchase and Sale Agreement, dated as of November 6, 2006, between FR Hollins Ferry, LLC and OLP Baltimore (incorporated by reference to Exhibit 10.1 to One Liberty Properties, Inc.'s Form 8-K filed on November 8, 2006).
- 10.5 First Amendment to Purchase and Sale Agreement, dated as of November 21, 2006, between FR Hollins Ferry, LLC and OLP Baltimore (incorporated by reference to Exhibit 10.1 to One Liberty Properties, Inc.'s Form 8-K filed on November 27, 2006).
- 10.6 Second Amendment to Purchase and Sale Agreement, dated as of November 29, 2006, between FR Hollins Ferry, LLC and OLP Baltimore (incorporated by reference to Exhibit 10.1 to One Liberty Properties, Inc.'s Form 8-K filed on November 30, 2006).
- 10.7 Third Amendment to Purchase and Sale Agreement, dated as of December 6, 2006, between FR Hollins Ferry, LLC and OLP Baltimore (incorporated by reference to Exhibit 10.1 to One Liberty Properties, Inc.'s Form 8-K/A filed on December 11, 2006).
- 10.8 Contract of Sale, dated as of June 12, 2006, between OLP Brooklyn Pavillion, LLC and HID Acquisition Group, LLC (incorporated by reference to Exhibit 10.1 to One Liberty Properties, Inc.'s Form 8-K filed on June 16, 2006).
- 10.9 Contract of Sale, dated as of June 14, 2006, by and among OLP Chula Vista Corp., OLP Norwalk LLC, OLP Austell, LLC, OLP Beavercreek LLC, OLP Southlake, LLC, OLP Roanoke, LLC, OLP Lubbock Venture Limited Partnership, OLP Live Oak Limited Partnership, OLP Henrietta, LLC and ECM Diversified Income & Growth Fund, LLC (incorporated by reference to Exhibit 10.2 to One Liberty Properties, Inc.'s Form 8-K filed on June 16, 2006).
- 10.10 First Amendment to Contract of Sale, dated as of July 20, 2006, by and among OLP Chula Vista Corp., OLP Norwalk LLC, OLP Austell, LLC, OLP Beavercreek LLC, OLP Southlake, LLC, OLP Roanoke, LLC, OLP Lubbock Venture Limited Partnership, OLP Live Oak Limited Partnership, OLP Henrietta, LLC and ECM Diversified Income & Growth Fund, LLC (incorporated by reference to Exhibit 10.1 to One Liberty Properties, Inc.'s Form 8-K filed on August 1, 2006).

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- 10.11 Amendment to Contract of Sale, dated as of July 26, 2006, by and among OLP Chula Vista Corp., OLP Norwalk LLC, OLP Austell, LLC, OLP Beaver creek LLC, OLP Southlake, LLC, OLP Roanoke, LLC, OLP Lubbock Venture Limited Partnership, OLP Live Oak Limited Partnership, OLP Henrietta, LLC and ECM Diversified Income & Growth Fund, LLC (incorporated by reference to Exhibit 10.2 to One Liberty Properties, Inc.'s Form 8-K filed on August 1, 2006).
 - 10.12 Amendment to Contract of Sale, dated as of August 9, 2006, by and among OLP Chula Vista Corp., OLP Norwalk LLC, OLP Austell, LLC, OLP Beaver creek LLC, OLP Southlake, LLC, OLP Roanoke, LLC, OLP Lubbock Venture Limited Partnership, OLP Live Oak Limited Partnership, OLP Henrietta, LLC and ECM Diversified Income & Growth Fund, LLC (incorporated by reference to Exhibit 10.1 to One Liberty Properties, Inc.'s Form 8-K filed on August 10, 2006).
 - 10.13 Purchase and Sale Agreement, dated as of November 22, 2005, between OLP Haverty's LLC and HAVERTACQ 11 LLC (incorporated by reference to Exhibit 10.1 to One Liberty Properties, Inc.'s Form 8-K filed on November 23, 2005).
 - 14.1 Code of Business Conduct and Ethics (incorporated by reference to Exhibit 14.1 to One Liberty Properties, Inc.'s Form its 8-K filed on March 14, 2006).
 - 21.1 Subsidiaries of Registrant*
 - 23.1 Consent of Ernst & Young LLP*
 - 31.1 Certification of Chairman of the Board and Chief Executive Officer*
 - 31.2 Certification of President*
 - 31.3 Certification of Senior Vice President and Chief Financial Officer*
 - 32.1 Certification of Chairman of the Board and Chief Executive Officer*
 - 32.2 Certification of President*
 - 32.3 Certification of Senior Vice President and Chief Financial Officer*
- * Filed herewith

[PG NUMBER]

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SIGNATURES

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

ONE LIBERTY PROPERTIES, INC.

By: /s/ Patrick J. Callan, Jr.

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Patrick J. Callan, Jr.
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated on the dates indicated.

Signature -----	Title -----	Date ----
/s/ Fredric H. Gould ----- Fredric H. Gould	Chairman of the Board of Directors and Chief Executive Officer	March 14, 2007
/s/ Patrick J. Callan, Jr. ----- Patrick J. Callan, Jr.	President and Director	March 14, 2007
/s/ Joseph A. Amato ----- Joseph A. Amato	Director	March 14, 2007
/s/ Charles Biederman ----- Charles Biederman	Director	March 14, 2007
/s/ James J. Burns ----- James J. Burns	Director	March 14, 2007
/s/ Jeffrey A. Gould ----- Jeffrey A. Gould	Director	March 14, 2007
/s/ Matthew J. Gould ----- Matthew J. Gould	Director	March 14, 2007
/s/ Marshall Rose ----- Marshall Rose	Director	March 14, 2007
/s/ Joseph De Luca ----- Joseph De Luca	Director	March 14, 2007
/s/ J. Robert Lovejoy ----- J. Robert Lovejoy	Director	March 14, 2007
/s/ Eugene I. Zuriff ----- Eugene I. Zuriff	Director	March 14, 2007
/s/ David W. Kalish ----- David W. Kalish	Senior Vice President and Chief Financial Officer	March 14, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
One Liberty Properties, Inc. and Subsidiaries

We have audited management's assessment, included in the accompanying Management Report on Internal Control over Financial Reporting in Item 9A, Controls and Procedures, of Form 10K, that One Liberty Properties, Inc. and Subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO

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criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of One Liberty Properties, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006 of the Company and our report dated March 14, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
March 14, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
One Liberty Properties, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of One Liberty Properties, Inc. and Subsidiaries (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of One Liberty Properties, Inc. and Subsidiaries at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of One Liberty Properties, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
March 14, 2007

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Amounts in Thousands, Except Per Share Data)

ASSETS

	20
	--
Real estate investments, at cost	
Land	\$ 72
Buildings and improvements	307

	380
Less accumulated depreciation	28

	351
Investment in unconsolidated joint ventures	7
Cash and cash equivalents	34
Restricted cash	7
Unbilled rent receivable	8
Escrow, deposits and other receivables	2
Investment in BRT Realty Trust at market (related party)	
Deferred financing costs	3
Other assets (including available-for-sale securities at market of \$1,372 and \$163)	2
Unamortized intangible lease assets	5

	\$422
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

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Mortgages and loan payable	\$227
Dividends payable	3
Accrued expenses and other liabilities	4
Unamortized intangible lease liabilities	6

Total liabilities	241

Commitments and contingencies	
Stockholders' equity:	
Preferred stock, \$1 par value; 12,500 shares authorized; none issued	
Common Stock, \$1 par value; 25,000 shares authorized; 9,823 and 9,770 shares issued and outstanding	9
Paid-in capital	134
Accumulated other comprehensive income - net unrealized gain on available-for-sale securities	
Unearned compensation	
Accumulated undistributed net income	34

Total stockholders' equity	180

	\$422
	=====

See accompanying notes.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
Consolidated Statements of Income
(Amounts in Thousands, Except Per Share Data)

	Year End

	2006

Revenues:	
Rental income	\$33,370

Operating expenses:	
Depreciation and amortization	6,995
General and administrative (including \$1,317, \$1,208, and \$980, respectively, to related party)	5,250
Federal excise tax	490
Real estate expenses	270
Leasehold rent	308

Total operating expenses	13,313

Operating income	20,057
Other income and expenses:	

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Equity in (loss) earnings of unconsolidated joint ventures	(3,276)
Gain on dispositions of real estate of unconsolidated joint ventures	26,908
Interest and other income	899
Interest:	
Expense	(12,524)
Amortization of deferred financing costs	(595)
Gain on sale of air rights (2005) and other gains	228
Gain on sale of real estate	185

Income from continuing operations	31,882

Discontinued operations:	
Income from operations	883
Net gain on sale	3,660

Income from discontinued operations	4,543

Net income	\$36,425
	=====
Weighted average number of common shares outstanding:	
Basic	9,931
	=====
Diluted	9,934
	=====
Net income per common share - basic and diluted:	
Income from continuing operations	\$ 3.21
Income from discontinued operations	.46

Net income per common share	\$ 3.67
	=====
Cash distributions per share of common stock	\$ 1.35
	=====

See accompanying notes.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
For the Three Years Ended December 31, 2006
(Amounts in Thousands, Except Per Share Data)

Accum-

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	Preferred Stock -----	Common Stock -----	Paid-in Capital -----	ulated Other Compre- hensive Income -----	Unear Comp sat -----
Balances, December 31, 2003	\$ -	\$ 9,605	\$130,863	\$ 823	\$ (4)
Distributions - Common Stock (\$1.32 per share)	-	-	-	-	-
Exercise of options	-	49	543	-	-
Shares issued through dividend reinvestment plan	-	72	1,247	-	-
Issuance of restricted stock	-	-	699	-	(6)
Restricted stock vesting	-	2	(2)	-	-
Compensation expense - restricted stock	-	-	-	-	2
Net income	-	-	-	-	-
Other comprehensive income - net unrealized loss on available- for-sale securities	-	-	-	(106)	-
Comprehensive income	-	-	-	-	-
Balances, December 31, 2004	-	9,728	133,350	717	(9)
Distributions - Common Stock (\$1.32 per share)	-	-	-	-	-
Exercise of options	-	11	109	-	-
Shares issued through dividend reinvestment plan	-	31	569	-	-
Issuance of restricted stock	-	-	617	-	(6)
Compensation expense - restricted stock	-	-	-	-	2
Net income	-	-	-	-	-
Other comprehensive income - net unrealized gain on available- for-sale securities	-	-	-	101	-
Comprehensive income	-	-	-	-	-
Balances, December 31, 2005	-	9,770	134,645	818	(1,2)
Reclassification - upon the adoption of FASB No. 123(R)	-	-	(1,250)	-	1,2
Distributions - Common Stock (\$1.35 per share)	-	-	-	-	-
Exercise of options	-	9	101	-	-
Shares issued through dividend reinvestment plan	-	44	815	-	-
Compensation expense - restricted stock	-	-	515	-	-
Net income	-	-	-	-	-
Other comprehensive income - net unrealized gain on available- for-sale securities	-	-	-	117	-

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Comprehensive income	-	-	-	-
	-----	-----	-----	-----
Balances, December 31, 2006	\$ -	\$ 9,823	\$134,826	\$ 935
	=====	=====	=====	=====

See accompanying notes.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Amounts in Thousands)

	Year Ended	
	2006	2005
	-----	-----
Cash flows from operating activities:		
Net income	\$36,425	\$36,425
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of real estate, air rights and other	(4,181)	(4,181)
Increase in rental income from straight-lining of rent	(1,763)	(1,763)
(Increase) decrease in rental income from amortization of intangibles relating to leases	(187)	(187)
Provision for valuation adjustment	-	-
Amortization of restricted stock expense	515	515
Gain on dispositions of real estate related to unconsolidated joint ventures	(26,908)	(26,908)
Equity in loss (earnings) of unconsolidated joint ventures	3,276	3,276
Distributions of earnings from unconsolidated joint ventures	24,165	24,165
Depreciation and amortization	7,091	7,091
Amortization of financing costs	600	600
Changes in assets and liabilities:		
Increase in escrow, deposits and other receivables	(945)	(945)
Increase in accrued expenses and other liabilities	839	839
Net cash provided by operating activities	38,927	38,927
Cash flows from investing activities:		
Purchase of real estate and improvements	(79,636)	(79,636)
Net proceeds from sale of real estate, air rights and other	16,228	16,228
Investment in unconsolidated joint ventures	(1,553)	(1,553)
Distributions of return of capital from unconsolidated joint ventures	21,264	21,264
Net proceeds from sale of available-for-sale securities	348	348
Purchase of available-for-sale securities	(1,364)	(1,364)
Net cash used in investing activities	(44,713)	(44,713)
Cash flows from financing activities:		

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(Repayments) proceeds from bank line of credit, net	-
Proceeds from mortgages payable	37,564
Payment of financing costs	(916)
Repayment of mortgages payable	(4,070)
Increase in restricted cash	(7,409)
Cash distributions - Common Stock	(13,088)
Exercise of stock options	110
Issuance of shares through dividend reinvestment plan	859

Net cash provided by financing activities	13,050

Net increase (decrease) in cash and cash equivalents	7,264
Cash and cash equivalents at beginning of year	26,749

Cash and cash equivalents at end of year	\$34,013
	=====

Continued on next page

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
(Amounts in Thousands)

	Year End

	2006

Supplemental disclosures of cash flow information:	
Cash paid during the year for interest expense	\$12,576
Cash paid during the year for income taxes	16
Supplemental schedule of non-cash investing and financing activities:	
Assumption of mortgages payable in connection with purchase of real estate	\$26,957
Purchase accounting allocations	(3,346)
Reclassification of 2005 deposit in connection with purchase of real estate	2,525

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Additions to real estate included in other liabilities

-

See accompanying notes.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2006

NOTE 1 - ORGANIZATION AND BACKGROUND

One Liberty Properties, Inc. (the "Company") was incorporated in 1982 in the state of Maryland. The Company is a self-administered and self-managed real estate investment trust ("REIT"). The Company acquires, owns and manages a geographically diversified portfolio of retail, including retail furniture stores, industrial, office, health and fitness and other properties, a substantial portion of which are under long-term net leases. As of December 31, 2006, the Company owned sixty-five properties, held a 50% tenancy in common interest in one property and participated in seven joint ventures that owned a total of six properties, including two properties that were held for sale. The seventy-two properties are located in twenty-eight states.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of One Liberty Properties, Inc. and its wholly-owned subsidiaries. One Liberty Properties, Inc. and its subsidiaries are hereinafter referred to as the Company. Material intercompany items and transactions have been eliminated.

Investment in Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Company (1) is primarily the managing member but does not exercise substantial operating control over these entities pursuant to EITF 04-05, and (2) such entities are not variable-interest entities pursuant to FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities". These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet of the Company and the underlying equity in net assets is amortized as an adjustment to equity in earnings of unconsolidated joint ventures over 40 years. See Note 4. None of the joint venture debt is recourse to the Company.

Use of Estimates

The preparation of the consolidated financial statements in conformity with

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accounting principles generally accepted in the United States 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.

Management believes that the estimates and assumptions that are most important to the portrayal of the Company's financial condition and results of operations, in that they require management's most difficult, subjective or complex judgments, form the basis of the accounting policies deemed to be most significant to the Company. These significant accounting policies relate to revenues and the value of the Company's real estate portfolio. Management believes its estimates and assumptions related to these significant accounting policies are appropriate under the circumstances; however, should future events or occurrences result in unanticipated consequences, there could be a material impact on the Company's future financial condition or results of operations.

Revenue Recognition

Rental income includes the base rent that each tenant is required to pay in accordance with the terms of their respective leases reported on a straight-line basis over the initial term of the lease. Some of the leases provide for additional contingent rental revenue in the form of percentage rents and increases based on the

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

consumer price index. The percentage rents are based upon the level of sales achieved by the lessee and are recorded once the required sales levels are reached.

Gains or losses on disposition of properties are recorded when the criteria for recognizing such gains or losses under generally accepted accounting principles have been met.

Purchase Accounting for Acquisition of Real Estate

In accordance with Statement of Financial Accounting Standards No. 141, or SFAS 141, "Business Combinations," the Company allocates the purchase price of real estate to land and building and intangibles, such as the value of above, below and at-market leases and origination costs associated with in-place leases. The Company depreciates the amount allocated to building and intangible assets or liabilities over their estimated useful lives, which generally range from two to forty years. The values of the above and below market leases are amortized and recorded as either an increase (in the case of below market leases) or a decrease (in the case of above market leases) to rental income over the remaining term of the associated lease. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease. The Company assesses fair value of the leases based on estimated cash flow projections that utilize appropriate discount rates and available market information. With respect to the Company's acquisition of a property in December 2006, the fair value of its in-place lease and other intangibles have been allocated on a preliminary basis and is subject to change.

As a result of its evaluation under SFAS 141 of the acquisitions made, the Company recorded additional deferred intangible lease assets of \$2,210,000 and \$1,732,000, representing the value of the acquired above market leases and assumed lease origination costs for the years ended December 31, 2006 and 2005, respectively. The Company also recorded additional deferred intangible lease liabilities of \$5,556,000 and \$77,000, representing the value of the acquired below market leases for the years ended December 31, 2006 and 2005,

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respectively. The Company recognized a net increase in rental revenue of \$187,000 for the amortization of the above/below market leases for the year ended 2006 and recognized a net reduction in rental revenue of \$29,000 for the amortization of the above/below market leases for the year ended 2005. The Company recognized amortization expense of \$233,000 and \$150,000 relating to lease origination costs, resulting from the reallocation of the purchase price of the acquired properties for the years ended 2006 and 2005, respectively. At December 31, 2006 and 2005, accumulated amortization of intangible lease assets was \$758,000 and \$385,000, respectively. At December 31, 2006 and 2005, accumulated amortization of intangible lease liabilities was \$448,000 and \$119,000, respectively.

The unamortized balance of intangible lease assets at December 31, 2006 will be deducted from future operations through 2025 as follows:

2007	\$ 460,000
2008	454,000
2009	441,000
2010	441,000
2011	441,000
Thereafter	3,016,000

	\$5,253,000
	=====

The unamortized balance of intangible lease liabilities at December 31, 2006 will be added to future operations through 2022 as follows:

2007	\$ 438,000
2008	404,000
2009	404,000
2010	404,000
2011	404,000
Thereafter	3,957,000

	\$6,011,000
	=====

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with maturities of three months or less when purchased.

Restricted Cash

Restricted cash consists of a cash deposit as required by a certain loan payable for collateral. (See Note 5.)

Escrow, Deposits and Other Receivables

Includes \$815,000 and \$883,000 at December 31, 2006 and 2005, respectively, of restricted cash relating to real estate taxes, insurance and other escrows.

Depreciation and Amortization

Depreciation of buildings and improvements is computed on the straight-line method over an estimated useful life of 40 years for commercial properties and 27 1/2 years for its residential property. Depreciation ceases when a property

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is deemed "held for sale". Leasehold interest is amortized over the initial lease term of the leasehold position. Depreciation expense, including amortization of the leasehold position, amounted to \$6,762,000, \$5,282,000 and \$3,868,000 for the three years ended December 31, 2006, 2005 and 2004, respectively.

Leasehold Rent

Ground lease payments on a leasehold position are computed on the straight line method.

Deferred Financing Costs

Mortgage and credit line costs are deferred and amortized on a straight-line basis over the terms of the respective debt obligations, which approximates the effective interest method. At December 31, 2006 and 2005, accumulated amortization of such costs was \$1,939,000 and \$1,367,000, respectively.

Federal Income Taxes

The Company has qualified as a real estate investment trust under the applicable provisions of the Internal Revenue Code. Under these provisions, the Company will not be subject to federal income taxes on amounts distributed to stockholders providing it distributes substantially all of its taxable income and meets certain other conditions.

Distributions made during 2006 and 2005 included approximately -0% and 18%, respectively, to be treated by the stockholders as return of capital and 67% and 5%, respectively, as capital gain distributions, with the balance to be treated as ordinary income.

Investment in Equity Securities

The Company determines the appropriate classification of equity securities at the time of purchase and reassesses the appropriateness of the classification at each reporting date. At December 31, 2006, all marketable securities have been classified as available-for-sale and, as a result, are stated at fair value. Unrealized gains and losses on available-for-sale securities are recorded as accumulated other comprehensive income in the stockholders' equity section.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's investment in 30,048 common shares of BRT Realty Trust ("BRT"), a related party of the Company, (accounting for less than 1% of the total voting power of BRT), purchased at a cost of \$97,000, has a fair market value at December 31, 2006 of \$831,000. At December 31, 2006, the total cumulative unrealized gain of \$935,000 on all investments in equity securities is reported as accumulated other comprehensive income in the stockholders' equity section.

Realized gains and losses are determined using the average cost method and is included in "Interest and other income" on the income statement. During 2006, 2005 and 2004, sales proceeds and gross realized gains and losses on securities classified as available-for-sale were:

	2006	2005	2004
	----	----	----
Sales proceeds	\$348,000	\$ 5,000	\$ 4,000
	=====	=====	=====
Gross realized losses	\$ 3,000	\$ 1,000	\$ -
	=====	=====	=====

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Gross realized gains	\$111,000	\$	-	\$	2,000
	=====	=====		=====	

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet for these instruments approximate their fair values.

Restricted cash: The carrying amount reported in the balance sheet for this instrument approximates its fair value.

Investment in equity securities: Since these investments are considered "available-for-sale", they are reported in the balance sheet based upon quoted market prices.

Mortgages and loan payable: At December 31, 2006, the estimated fair value of the Company's mortgages and loan payable exceeded their carrying value by approximately \$1,880,000, assuming a market interest rate of 6.25%.

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.

Concentration of Credit Risk

The Company maintains accounts at various financial institutions. While the Company attempts to limit any financial exposure, its deposit balances may, at times, exceed federally insured limits. The Company has not experienced any losses on such accounts.

While the Company's properties are located in twenty-eight states, 17.9%, 17.6% and 22.8% of the Company's rental revenues were attributable to properties located in Texas and 17.2%, 20.2% and 25.6% of the Company's rental revenues were attributable to properties located in New York for the years ended December 31, 2006, 2005 and 2004, respectively. No other state contributed over 10% to the Company's rental revenues.

On April 7, 2006, the Company acquired eleven retail furniture stores, located in six states, net leased to a single tenant pursuant to a master lease. The basic term of the net lease expires August 14, 2022, with several renewal options. For the year ended December 31, 2006, these properties generated rental revenues of \$3,559,000, or 10.7% of the Company's total revenues. No tenant contributed over 10% of the Company's rental revenues for the years ended December 31, 2005 and 2004.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Common Share

Basic earnings per share was determined by dividing net income applicable to common stockholders for each year by the weighted average number of shares of Common Stock outstanding during each year.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts exercisable for or convertible into Common Stock were exercised or converted or resulted in the issuance of Common Stock that then shared in the earnings of the Company. Diluted earnings per share was

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determined by dividing net income applicable to common stockholders for each year by the total of the weighted average number of shares of Common Stock outstanding plus the dilutive effect of the Company's outstanding options (2,315, 4,738 and 16,288 shares for the years ended 2006, 2005 and 2004, respectively) using the treasury stock method.

Accounting for Long-Lived Assets and Impairment of Real Estate Owned

The Company reviews each real estate asset owned for which indicators of impairment are present to determine whether the carrying amount of the asset will be recovered. Recognition of impairment is required if the aggregate future undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Measurement is based upon the fair market value of the asset determined by applying the appropriate capitalization rate in the area in which the property is located, and applying such capitalization rate to the net operating income derived from that asset. Real estate assets that are expected to be disposed of are valued at the lower of carrying amount or fair value less costs to sell on an individual asset basis.

During the year ended December 31, 2004, the Company determined that the estimated fair value of a retail property, where the tenant filed for bankruptcy protection and vacated the premises, was lower than its carrying value and recorded a \$366,000 provision for the difference. At June 30, 2005, the Company wrote down the asset by an additional \$469,000 based on an updated evaluation of market conditions in the geographic area in which the property is located. The provisions were recorded as direct write-downs of the investment on the balance sheet and depreciation was calculated using the new basis. The Company sold this property in December 2005 and recognized a loss of \$9,000.

During the year ended December 31, 2005, one of the Company's joint ventures determined that the fair value of one of the five properties owned by it was lower than its carrying value and recorded a provision for valuation adjustment of \$2,562,000, of which the Company's share was \$1,281,000. During the year ended December 31, 2006, the joint venture wrote down the property by an additional \$600,000 based on an updated evaluation of market conditions in the geographic area in which the property is located, of which the Company's share was \$300,000. The provisions were recorded as direct write downs on the balance sheet of the joint venture.

During the year ended December 31, 2006, another of the Company's joint ventures determined that the fair value of a vacant property owned by it was lower than its carrying value and recorded a provision for valuation adjustment of \$960,000, of which the Company's share was \$480,000. The provision was based on an evaluation of market conditions in the area in which the property is located. The provision was recorded as a direct write down on the balance sheet of the joint venture.

In accordance with FIN 47, "Accounting for Conditional Asset Retirement Obligations", the Company records a conditional asset retirement obligation ("CARO") if the liability can be reasonably estimated. A CARO is an obligation that is settled at the time the asset is retired or disposed of and for which the timing and/or method of settlement are conditional on future events. The Company currently does not have any known conditions that would require remediation.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment Reporting

Virtually all of the Company's real estate assets are comprised of real estate owned that is net leased to tenants on a long-term basis. Therefore, the Company

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operates predominantly in one industry segment.

Consolidation of Variable Interest Entities

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, "Consolidation of Variable Interest Entities", which explains how to identify variable interest entities ("VIE") and how to assess whether to consolidate such entities. In December 2003, a revision was issued (46R) to clarify some of the original provisions. Management has reviewed its unconsolidated joint ventures and determined that none represent variable interest entities which would require consolidation by the Company pursuant to the interpretation.

Share Based Compensation

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payments", effective January 1, 2006. SFAS No. 123R established financial accounting and reporting standards for stock-based employee compensation plans, including all arrangements by which employees receive shares of stock or other equity instruments of the employer, or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. The statement also defined a fair value based method of accounting for an employee stock option or similar equity instrument whereby the fair-value is recorded based on the market value of the common stock on the grant date and is amortized to general and administrative expense over the respective vesting periods.

New Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). This interpretation, among other things, creates a two step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006, in which the impact of adoption should be accounted for as a cumulative-effect adjustment to the beginning balance of retained earnings. The Company is evaluating FIN 48 and has not yet determined the impact the adoption will have on the consolidated financial statements, but it is not expected to be significant.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. SFAS No.157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS No. 157 applies whenever other standards require assets or liabilities to be measured at fair value. This statement is effective in fiscal years beginning after November 15, 2007. The Company is evaluating SFAS No. 157 and has not yet determined the impact the adoption will have on the consolidated financial statements, but it is not expected to be significant.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 ("SAB 108"), which became effective for the fiscal

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year ended December 31, 2006. SAB 108 provides guidance on the consideration of the effects of prior period misstatements in quantifying current year

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

misstatements for the purpose of a materiality assessment. SAB 108 provides for the quantification of the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. If a misstatement is material to the current year financial statements, the prior year financial statements should also be corrected, even though such revision was, and continues to be, immaterial to the prior year financial statements. Correcting prior year financial statements for immaterial errors would not require previously filed reports to be amended. Such correction should be made in the current period filings. The adoption of SAB No. 108 did not have a material effect on the consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159") SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. The Standard's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The FASB believes that SFAS No. 159 helps to mitigate this type of accounting-induced volatility by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS No. 157. The Company is evaluating SFAS No. 159 and has not yet determined the impact the adoption will have on the consolidated financial statements, but it is not expected to be significant.

Reclassification

Certain amounts reported in previous financial statements have been reclassified in the accompanying financial statements to conform to the current year's presentation primarily to present discontinued operations for the sale of a property in 2006.

NOTE 3 - REAL ESTATE INVESTMENTS AND MINIMUM FUTURE RENTALS

During the year ended December 31, 2006, the Company purchased twenty-two single tenant properties in eleven states for a total consideration of \$111,872,000.

The rental properties owned at December 31, 2006 are leased under noncancellable operating leases to corporate tenants with current expirations ranging from 2007 to 2038, with certain tenant renewal rights. Virtually all of the lease agreements are net lease arrangements which require the tenant to pay not only rent but all the expenses of the leased property including maintenance, taxes, utilities and insurance. Certain lease agreements provide for periodic rental increases and others provide for increases based on the consumer price index.

The minimum future rentals to be received over the next five years and thereafter on the operating leases in effect at December 31, 2006 are as follows:

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Year Ending December 31, -----	(In Thousands) -----
2007	\$ 36,092
2008	35,944
2009	34,951
2010	35,239
2011	34,065
Thereafter	260,525

Total	\$436,816 =====

NOTE 3 - REAL ESTATE INVESTMENTS AND MINIMUM FUTURE RENTALS (Continued)

Included in the minimum future rentals are rentals from a property owned in fee (ground lease) by an unrelated third party. The Company pays annual fixed leasehold rent of \$237,500 through July 2009 with 25% increases every five years through March 3, 2020 and has a right to extend the lease for up to five 5-year and one seven month renewal options.

At December 31, 2006, the Company has recorded an unbilled rent receivable aggregating \$8,218,000, representing rent reported on a straight-line basis in excess of rental payments required under the initial term of the respective leases. This amount is to be billed and received pursuant to the lease terms during the next nineteen years. The minimum future rentals presented above include amounts applicable to the repayment of these unbilled rent receivables.

Sales of Air Rights, Other and Real Estate

During July 2006, the Company sold excess acreage to an unrelated third party for a sales price of \$975,000 and realized a gain of \$185,000.

During February 2006, the Company sold an option it owned to buy an interest in certain property adjacent to one of the Company's properties and realized a gain of \$228,000.

In June 2005, the Company sold the unused development or "air" rights relating to a property located in Brooklyn, New York for a sales price of approximately \$11,000,000, which resulted in a gain after closing costs of \$10,248,000 for financial statement purposes. This gain has been deferred for federal tax purposes in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended. (See Note 8 for the related party fee paid as a result of this sale).

In August 2004, the Company realized a gain of \$60,000 resulting from its grant of an underground easement to a power company at one of its properties. In July 2004, the Company sold a retail property, which had been vacant since February 2003, for a sales price of \$1,340,000 and realized a gain of \$13,000. The net operating loss for the property was \$74,000 for the year ended December 31, 2004.

Unaudited Pro Forma Information

On April 7, 2006, the Company acquired eleven retail furniture stores, located in six states, leased to a single tenant pursuant to a master lease. The properties were acquired for a purchase price, before closing costs, of approximately \$51,200,000, with approximately \$22,250,000 paid in cash, \$2,000,000 borrowed under the Company's line of credit and the remainder through the assumption of a mortgage of approximately \$26,957,000. The basic term of the

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net lease expires August 14, 2022, with several renewal options. As a result of its evaluation of this acquisition under SFAS 141 and 142, the Company recorded a deferred asset of \$843,000, representing assumed lease origination costs and it also recorded a deferred liability of \$5,112,000 representing the net value of the acquired below market lease. These deferred amounts will be written off over the initial lease term and the Company will recognize additional rental income from the amortization of the deferred liability and additional amortization expense relating to the amortization of the deferred lease origination costs.

On December 20, 2006, the Company acquired an industrial property located in Baltimore, Maryland, leased to a single tenant. The property was acquired for a purchase price of approximately \$32,200,000, with approximately \$9,200,000 paid in cash and the remainder through a mortgage of approximately \$23,000,000. The basic term of the net lease expires March 2022, with several renewal options. As a result of its preliminary evaluation under SFAS 141 and 142 of this acquisition, the Company recorded a deferred asset of \$461,000, representing assumed lease origination costs and it also recorded a deferred liability of \$110,000 representing the net value of the acquired below market lease. These deferred amounts will be written off over the initial lease term and the Company will recognize additional rental income from the amortization of the deferred liability and additional amortization expense relating to the amortization of the deferred lease origination costs. Payments to be received under an agreement entered into with the seller of the property, since the property was not producing adequate rent at the time of the acquisition, will be recorded as a reduction to building and improvements rather than rental income in accordance with Emerging Issues Task Force ("EITF") Issue 85-27, "Recognition of Receipts from Made-Up Rental Shortfalls".

NOTE 3 - REAL ESTATE INVESTMENTS AND MINIMUM FUTURE RENTALS (Continued)

The following table summarizes, on an unaudited pro forma basis, the combined results of continuing operations of the Company for the years ended December 31, 2006 and 2005 as though the acquisitions of these properties in 2006 were completed on January 1, 2005. The information does not purport to be indicative of what the operating results of the Company would have been had the acquisitions been consummated on January 1, 2005. Results of operations acquired are included in the consolidated statements of income from the date of acquisition. (Amounts in thousands, except per share data.)

	2006

Pro forma revenues	\$35,888
Pro forma income from continuing operations	31,298
Pro forma common shares:	
Basic	9,931
Diluted	9,934
Pro forma income from continuing operations	
Basic	\$3.15
Diluted	\$3.15

NOTE 4 - INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

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The Company is a member in seven unconsolidated joint ventures which own and operate six properties as of December 31, 2006. Summaries of the two most significant joint ventures in which the Company was designated the managing member are below.

At December 31, 2006, the Company owns a 50% equity interest in two joint ventures with MTC Investors LLC ("MTC"), an unrelated entity. Approval of both members of these two joint ventures is needed for all material decisions including property acquisitions, financing and transfer of interest. During the year ended December 31, 2006, the first joint venture (Joint Venture #1) sold five megaplex stadium-style movie theaters and the second joint venture (Joint Venture #2) sold one partial stadium-style movie theater located in Brooklyn, NY and three megaplex stadium-style movie theaters. The remaining real estate asset, owned by Joint Venture #2, is a vacant parcel of land located in Monroe, NY, that was sold on March 14, 2007.

The following tables present condensed financial statements for the two movie theater joint ventures at December 31, 2006 and for the year then ended. All such operations were discontinued as a result of property sales during 2006 and the remaining asset is considered held for sale. (Amounts in thousands):

Condensed Balance Sheets	Joint Venture #1
Cash and cash equivalents	\$ 77
Property held for sale	-
Other assets, including investment in Access Integrated Technologies, Inc. Class A common stock	-
Total assets	\$ 77 =====
Other liabilities	\$ 90
Equity	(13)
Total liabilities and equity	\$ 77 =====
Company's equity investment	\$ (7) =====

NOTE 4 - INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Condensed Statements of Operations	Joint Venture #1
------------------------------------	------------------

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Rental income	\$ 5,572	-----
Depreciation and amortization	481	
Operating expenses (C)	388	
Provision for valuation adjustment of real estate	-	-----
Total operating expenses	869	-----
Operating income	4,703	
Other income and expenses:		
Interest income	-	
Interest:		
Expense	(1,866)	
Mortgage prepayment premium and fees (D)	(4,942)	
Amortization of deferred financing costs	(52)	
Gain on sale of properties (D)	35,167	
Gain on sale of AIXD stock	-	-----
Net income attributable to members	\$ 33,010	=====
Company's share of net income	\$ 16,505	=====
Amount recorded in income statement:		
From operations	\$ (1,099)	
From gain on sale of properties	16,659 (E)	-----
	\$ 15,560	=====
Distributions received by the Company:		
From operations	\$ 15,560	=====
From capital	\$ 12,724	=====

(A) The remaining real estate is a vacant parcel of land located in Monroe, NY, that was sold on March 14, 2007 for a consideration of approximately \$1,250. This property has a nominal book value after provisions for valuation adjustment of \$600 and \$2,562 taken as direct write downs on the balance sheet during the years ended December 31, 2006 and 2005, respectively.

(B) The joint venture owned 40,000 restricted shares of Class A common stock of Access Integrated Technologies, Inc. (NASDAQ:AIXD), the parent company of a former tenant of the joint venture. In April 2006, the joint venture sold 20,000 shares of the AIXD stock and realized a gain on sale of \$166. The closing price per share of AIXD at December 31, 2006 was \$8.72.

(C) Includes management fees of \$52 and \$33, respectively, paid to Majestic Property Management Corp. ("Majestic"), a company wholly owned by the Chairman of the Board of Directors and Chief Executive Officer and in which certain executive officers of the Company are officers and from which such officers receive compensation. The management fee is equal to 1% of rent paid by the tenants. In addition, Majestic was paid

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a fee of \$8 for supervision of improvements to a property.

(D) On October 5, 2006, the joint ventures sold eight of their movie theater properties to a single unrelated purchaser for an aggregate sales price of \$136,658 and realized a gain, for book purposes, after expenses, fees and brokerage commissions, of \$49,077. The joint ventures paid a prepayment premium of \$9,707 on the outstanding mortgage loans secured by the properties which were sold. In connection with this sale, a brokerage commission totaling \$1,277 was paid to Majestic. In addition, the joint ventures paid an aggregate bonus of \$90 to two other officers of the Company (neither of whom are officers of Majestic) for their efforts in connection with this sale.

NOTE 4 - INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

On September 13, 2006, Joint Venture #2 sold a movie theater property located in Brooklyn, New York to an unrelated party for a consideration of \$16,000 and realized a gain of \$6,588. The joint venture paid a premium of \$831 in connection with the prepayment of the mortgage loan secured by this property.

(E) The difference between the carrying amount of the Company's investment in the joint venture and the underlying equity in net assets was a premium amortized as an adjustment to equity in earnings of unconsolidated joint ventures over 40 years. The unamortized premium balance was approximately \$924 at October 5, 2006 when the real estate assets of the joint venture were sold and thus, such balance was offset against gain on disposition of real estate related to unconsolidated ventures.

The following tables present condensed financial statements for the two movie theater joint ventures at December 31, 2005 and for the year then ended. All such operations were discontinued as a result of property sales during 2006 and the remaining asset is considered held for sale. (Amounts in thousands):

Condensed Balance Sheets	Joint Venture #1
Cash and cash equivalents	\$ 368
Real estate investments, net	53,384
Property held for sale	-
Deferred financing costs	458
Unbilled rent receivable	1,390
Other assets, primarily investment in Access Integrated Technologies, Inc. Class A common stock	3
Total assets	\$ 55,603 =====
Mortgage loans payable	\$ 31,720
Other liabilities	337
Equity	23,546
Total liabilities and equity	\$ 55,603 =====

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Company's equity investment	\$ 12,706 (C) =====
Condensed Statements of Operations	Joint Venture #1
-----	-----
Rental income	\$ 7,351 -----
Depreciation and amortization	1,154
Operating expenses (D)	301 -----
Total operating expenses	1,455 -----
Operating income	5,896
Other income and expenses:	
Interest and other income	3
Interest:	
Expense	(2,515)
Amortization of deferred financing costs	(70) -----
Income from continuing operations	3,314
Loss from discontinued operations	- -----
Net income (loss) attributable to members	\$ 3,314 =====
Company's share of net income (loss)	\$ 1,657 =====

NOTE 4 - INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Amount recorded in income statement	\$ 1,637 (C) =====
Distributions received by the Company:	
From operations	\$ 1,645 =====
From capital	\$ 39 =====

(A) During the year ended December 31, 2005, the joint venture determined that the fair value of one of the five properties owned by it, where the joint venture was funding the construction of a six screen movie theater, located in Monroe, NY, pursuant to the lease entered into with the former tenant, was lower than its carrying value. The lease with the former tenant was terminated by mutual agreement in September 2004 and construction was suspended. The joint venture was seeking alternative uses for this property and also offered this property for sale. Included in loss from discontinued operations is a provision for valuation adjustment of \$2,562 which is based on a third party appraisal which values the land only and a report by an independent engineering

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firm which estimates the value of the construction completed to date, against which management has taken a significant discount. The provision was recorded as a direct write down on the balance sheet.

(B) During February 2005, the tenant/operator of one of the joint venture's movie theaters, located in Brooklyn, NY, who had the same principal as the tenant described in (A) above, sold its business to an independent third party. In consideration of the joint venture's consent to the lease assignment and a lease amendment and its waiver of the requirement for a security deposit under the amended lease, the joint venture received 40,000 restricted shares of Class A common stock of Access Integrated Technologies, Inc., the new tenant's parent company (NASDAQ:AIXD). The closing price per share on the date of the transaction for these shares was \$4.40 and at December 31, 2005 was \$10.38. These shares have certain restrictions regarding the disposition thereof.

(C) The difference between the carrying amount of the Company's investment in the joint venture and the underlying equity in net assets is a premium amortized as an adjustment to equity in earnings of unconsolidated joint ventures over 40 years.

(D) Includes management fees of \$68 and \$51, respectively, paid to Majestic. The management fee is equal to 1% of rent paid by the tenants.

The remaining five unconsolidated joint ventures each own one property. At December 31, 2006 and 2005, the Company's equity investment in these five joint ventures totaled \$6,730,000 and \$6,997,000, respectively. The December 31, 2006 balance is net of distributions, including distributions received in 2006 of \$1,823,000 received from these five joint ventures, including a \$1,061,000 distribution of financing proceeds the Company received from one of its joint ventures. These five unconsolidated joint ventures contributed \$2,000 and \$530,000 in equity earnings for the years ended December 31, 2006 and 2005, respectively. The \$2,000 equity in earnings for the year ended December 31, 2006 is net of a \$960,000 provision for valuation adjustment, of which the Company's share is \$480,000, recorded by the joint venture against its vacant property. The joint venture had determined that the fair value of this vacant property was lower than its carrying value based on an evaluation of market conditions in the area in which the property is located.

Mortgage brokerage fees relating to financings of two joint venture properties in 2005 aggregating \$156,000, were paid by the two ventures to Majestic. These fees were deferred and are being amortized over the life of the respective mortgages. In addition, one of these joint ventures paid Majestic \$12,000 in management fees for each of the years ended December 31, 2006 and 2005.

NOTE 5 - DEBT OBLIGATIONS

Mortgages Payable

At December 31, 2006, there are thirty-six outstanding mortgages payable, all of which are secured by first liens on individual real estate investments with an aggregate carrying value before accumulated depreciation, as adjusted for intangibles, of \$351,811,000. The mortgages bear interest at rates ranging from 5.13% to 8.8%, and mature between 2007 and 2037. The weighted average interest rate was 6.4% for the years ended December 31, 2006 and 2005.

Scheduled principal repayments during the next five years and thereafter are as follows:

Year Ending	(In Thousands)
December 31,	

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Year	Amount
2007	\$ 4,573
2008	12,788
2009	9,834
2010	22,090
2011	8,353
Thereafter	163,638
Total	\$ 221,276
	=====

Loan Payable

At December 31, 2006, there is one outstanding loan payable with a balance of \$6,647,000, which is collateralized by cash held in escrow and shown on the balance sheet as restricted cash. The loan bears interest at a rate of 6.25% and matures December 1, 2018. The loan was originally a mortgage collateralized by a movie theater property the Company owned in California. During 2006, the property was sold and cash was substituted for collateral at 110% of the principal balance at the date of sale. The mortgagee will place the loan on a suitable replacement property for a 2% fee on the then principal balance. The Company still retains the right to prepay the loan and pay the normal prepayment penalty but has determined not to do so at this time.

Scheduled principal repayments during the next five years and thereafter are as follows:

Year Ending December 31,	(In Thousands)
2007	\$ 144
2008	154
2009	164
2010	174
2011	185
Thereafter	5,826
Total	\$ 6,647
	=====

Line of Credit

The Company has a \$62,500,000 revolving credit facility ("Facility") with VNB New York Corp. (formerly Valley National Bank), Bank Leumi USA, Israel Discount Bank of New York and Manufacturers and Traders Trust Company. The Facility matures on March 31, 2007 and provides that the Company pay interest at the lower of LIBOR plus 2.5% or at the bank's prime rate on funds borrowed and an unused facility fee of 1/4%. The Company paid \$636,000 in fees and closing costs relating to the Facility increase which are being amortized over the term of the Facility.

The Company is in the process of amending its existing revolving credit facility which will extend its maturity date from March 31, 2007 to March 31, 2010 and reduce the interest rate to the lower of LIBOR plus 2.15% or at the bank's prime rate on funds borrowed. In connection with the amendment, the Company will pay a commitment fee and other expenses totaling approximately \$650,000, and substantially all material covenants will remain the same.

NOTE 5 - DEBT OBLIGATIONS (Continued)

The Facility is guaranteed by all of the Company's subsidiaries which own unencumbered properties and the shares of stock of all other subsidiaries are

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pledged as collateral. The Company has agreed that it and its affiliates (including entities that are participants in a Shared Services Agreement - see Note 8) will maintain on deposit with the banks at least 10% of the average outstanding annual principal balance under the Facility. If minimum balances are not maintained by the Company and its affiliates, a deficiency fee will be charged to the Company.

The Facility is available to finance the acquisition or financing of interests in commercial real estate. The Company is required to comply with certain covenants. Net proceeds received from the sale or refinance of properties are required to be used to repay amounts outstanding under the Facility if proceeds from the Facility were used to purchase the property.

NOTE 6 - PREFERRED STOCK

At the Company's Annual Meeting of Stockholders held on June 14, 2005, the stockholders approved an Amendment to the Company's Restated Articles of Incorporation to increase the aggregate number of shares of authorized capital stock by authorizing the issuance of 12,500,000 shares of preferred stock, par value \$1.00 per share. To date, none have been issued.

NOTE 7 - PUBLIC OFFERING

A shelf registration statement, which was declared effective by the U.S. Securities and Exchange Commission on October 2, 2003, allows the Company to sell common stock from time to time in one or more public offerings (at prices and terms to be determined at the time of the offering) up to an aggregate public offering price of \$200,000,000. Approximately \$132,000,000 remains available for issuance under the shelf registration statement.

NOTE 8 - RELATED PARTY TRANSACTIONS

At December 31, 2006 and 2005, Gould Investors L.P. ("Gould"), a related party, owned 830,911 and 818,679 shares of the common stock of the Company or approximately 8% of the equity interest. During 2006, Gould purchased 12,232 shares of the Company through the Company's dividend reinvestment plan.

The Company reimbursed Gould for allocated expenses and paid fees to companies wholly owned by the Chairman of the Board of Directors and Chief Executive Officer and in which certain executive officers of the Company are officers and from which such officers receive compensation ("Majestic Entities"). The Company's policy is to receive terms in transactions with affiliates that are at least as favorable to the Company as similar transactions the Company would enter into with unaffiliated persons. Such fees and costs paid directly by the Company are as follows:

	Years Ended December 31,		
	2006	2005	2004
Allocated expenses (A)	\$1,317,000	\$1,208,000	\$ 980,000
Mortgage brokerage fees (B)	100,000	543,000	122,000
Sales commissions (C)	152,000	404,000	47,000
Management fees (D)	15,000	42,000	58,000
Supervisory fees (E)	41,000	37,000	26,000
	-----	-----	-----
Total fees	\$1,625,000	\$2,234,000	\$1,233,000
	=====	=====	=====

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NOTE 8 - RELATED PARTY TRANSACTIONS (Continued)

The Company's unconsolidated joint ventures paid the following fees to Majestic Property Management Corp. ("Majestic"), one of the Majestic Entities. Such amounts represent 100% of the fees paid by the joint ventures, of which the Company's share is 50%:

	Years Ended December 31,		
	2006	2005	2004
	----	----	----
Mortgage brokerage fees (F)	\$ -	\$ 156,000	\$ -
Sales commissions (G)	1,277,000	-	-
Management fees (H)	97,000	131,000	108,000
Supervisory fees (I)	8,000	-	-
	-----	-----	-----
Total fees	\$1,382,000	\$ 287,000	\$ 108,000
	=====	=====	=====

(A) The Company reimbursed Gould for allocated general and administrative expenses and payroll based on estimated time incurred by various employees pursuant to a Shared Services Agreement. At December 31, 2006 and 2005, \$241,000 and \$268,000 remain unpaid and is reflected in accrued expenses on the balance sheet. This does not include payments under a direct lease, effective July 2005, with a subsidiary of Gould, for approximately 1,200 square feet, expiring in 2011, at an annual rent of \$40,000, increasing 3% per year.

(B) Fees paid to Majestic relating to mortgages placed on nine, eleven and three of the Company's properties for the years ended December 31, 2006, 2005 and 2004, respectively, for mortgages in the aggregate amounts of \$12,900,000, \$57,706,000 and \$13,976,000. Except for two of the mortgages, where the fees were .5% and .8% of the principal balance, all fees were 1% of the principal balances of the mortgages. These fees were deferred and are being amortized over the life of the respective mortgages.

(C) Fees paid to Majestic Entities relating to the sales of one property, two properties and air rights, and one property for the years ended December 31, 2006, 2005 and 2004, respectively, for aggregate sales prices of \$15,227,000, \$30,524,000 and \$1,340,000, respectively. Such fees were based on 1% of the sales price in 2006, 1% to 2% of the sales price in 2005 and 3.5% of the sales price in 2004.

(D) Fees paid to Majestic relating to management of one, two and two of the Company's properties for the years ended December 31, 2006, 2005 and 2004, respectively. Such fees were based on 2% to 4% of rent collections.

(E) Fees paid to Majestic for supervision of improvements to properties. Such fees are generally based on 8% of the cost of the improvements.

(F) Fees paid to Majestic relating to mortgages placed on two joint venture properties for mortgages in the aggregate amount of \$17,500,000. These fees, ranging from .8% to 1% of the principal balance of the mortgages, were deferred and are being amortized over the life of the respective mortgages.

(G) Fee paid to Majestic relating to the sale by two of the Company's joint ventures of eight movie theater properties at approximately 1% of the aggregate sales price.

(H) Fees paid to Majestic for the management of ten joint venture properties at 1% of rent collections.

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(I) Fee paid to Majestic for supervision of improvements to a property at 8% of the cost of the improvements.

See Note 4 for further information regarding the Company's unconsolidated joint ventures.

NOTE 8 - RELATED PARTY TRANSACTIONS (Continued)

New Compensation and Services Agreement

Effective as of January 1, 2007, the Company entered into a compensation and services agreement with Majestic Property Management Corp., a company wholly-owned by our Chairman and Chief Executive Officer and in which certain of the Company's executive officers are officers and from which they receive compensation. Under the terms of the agreement, Majestic assumed the Company's obligations to make payments to Gould (and other affiliated entities) under the shared services agreement and agreed to provide to the Company the services of all affiliated executive, administrative, legal, accounting and clerical personnel that the Company has heretofore utilized on a part-time (as needed) basis and for which the Company had paid, as a reimbursement, an allocated portion of the payroll expenses of such personnel in accordance with the shared services agreement. Since Majestic and its affiliates will arrange for such personnel for the Company, it will no longer incur any allocated payroll expenses. Under the terms of the agreement, Majestic (or its affiliates) will continue to provide to the Company certain property management services, property acquisition, sales and leasing services and mortgage brokerage services that it has provided to the Company in the past, and the Company will not incur any fees or expenses for such services except for the annual fees described below. As consideration for providing to the Company the services of such personnel and property management services (including construction supervisory services), property acquisition, sales and leasing counseling services and mortgage brokerage services, the Company will pay Majestic an annual fee of \$2,125,000 in 2007, in equal monthly installments. Majestic will credit against the fee payments due to it under the agreement any management or other fees received by it from any joint venture in which the Company is a joint venture partner (exclusive of fees paid by the tenant in common on a property located in Los Angeles, California). In addition, the agreement calls for the Company to pay compensation to the Company's Chairman of \$250,000 per annum, an increase from \$50,000. The Company also agreed to make an additional payment to Majestic of \$175,000 in 2007 for the Company's share of all direct office expenses, such as rent, telephone, postage, computer services, internet usage, etc., previously allocated to the Company under the shared services agreement. The annual payments the Company makes to Majestic will be negotiated each year by the Company and Majestic, and will be approved by the Company's Audit Committee and the Company's independent directors. The annual payments will be based upon the prior years' experience and a budget prepared by Majestic.

NOTE 9 - STOCK OPTIONS AND RESTRICTED STOCK

Stock Options

On December 6, 1996, the directors of the Company adopted the 1996 Stock Option Plan (Incentive/Nonstatutory Stock Option Plan), which was approved by the Company's stockholders in June 1997. The options granted under the Plan were granted at per share amounts at least equal to their fair market value at the date of grant, were cumulatively exercisable at a rate of 25% per annum, commencing six months after the date of grant, and expired five years after the date of grant. A maximum of 225,000 shares of common stock of the Company were reserved for issuance to employees, officers, directors, consultants and advisors to the Company, of which none are available for grant at December 31,

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2006.

Changes in the number of common shares under all option arrangements are summarized as follows:

	Years Ended December	
	2006	2005
	----	----
Outstanding at beginning of period	9,000	19,500
Exercised	(9,000)	(10,500)
Outstanding at end of period	-	9,000
Exercisable at end of period	-	9,000
Option price per share outstanding	-	\$12.19

NOTE 9 - STOCK OPTIONS AND RESTRICTED STOCK (Continued)

Pro forma information regarding net income and earnings per share is required by FASB No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value for the outstanding options was estimated at the date of the grant using a Black-Scholes option pricing model with the following weighted-average assumptions for these options which were granted in 2001: risk free interest rate of 4.06%, dividend yield of 10.07%, volatility factor of the expected market price of the Company's Common Stock based on historical results of .141; and expected life of 5 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate, management believes the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. The Company has elected not to present pro forma information for 2006, 2005 and 2004 because the impact on the reported net income and earnings per share is immaterial.

Restricted Stock

The Company's 2003 Stock Incentive Plan (the "Incentive Plan"), approved by the Company's stockholders in June 2003, provides for the granting of restricted shares. The maximum number of shares of the Company's common stock that may be issued pursuant to the Incentive Plan is 275,000. The restricted stock grants are valued at the fair value as of the date of the grant and specify vesting upon the fifth anniversary of the date of grant and under

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certain circumstances may vest earlier. For accounting purposes, the restricted stock is not included in the outstanding shares shown on the balance sheet until they vest. The value of such grants are initially deferred, and amortization of amounts deferred is being charged to operations over the respective vesting periods.

	Years Ended December	
	2006	2005
Restricted share grants	50,050	40,750
Average per share grant price	\$ 20.66	\$ 19.05
Recorded as deferred compensation	\$ 1,034,000	\$ 776,000
Total charge to operations	\$ 515,000	\$ 293,000
Non-vested shares:		
Non-vested beginning of period	92,725	60,300
Grants	50,050	40,750
Vested during period	-	-
Forfeitures	(2,600)	(8,325)
	140,175	92,725
	=====	=====

Through December 31, 2006, a total of approximately 142,000 shares were issued and approximately 133,000 shares remain available for grant pursuant to the Incentive Plan, and approximately \$1,750,000 remains as deferred compensation and will be charged to expense over the remaining weighted average vesting period of approximately 3.1 years. On February 28, 2007, 51,225 shares were issued as restricted share grants having an aggregate value of approximately \$1,255,000.

NOTE 10 - DISTRIBUTION REINVESTMENT PLAN

In May 1996, the Company implemented a Distribution Reinvestment Plan (the "Plan"). The Plan provides owners of record of 100 shares or more of its common and/or preferred stock the opportunity to reinvest cash distributions in newly-issued common stock of the Company at a 5% discount from the market price. No open market purchases are made under the Plan. During the years ended December 31, 2006, 2005 and 2004, the Company issued 43,970, 31,441 and 72,214 common shares, respectively, under the Plan.

NOTE 11 - DISCONTINUED OPERATIONS

During the years ended December 31, 2006 and 2005, the Company sold one and five properties, respectively. In accordance with SFAS 144, "Accounting for Impairment or Disposal of Long Lived Assets," the Company recorded the results of operations and the related gain as income from discontinued operations.

The following is a summary of income from discontinued operations for the years ended December 31, 2006, 2005 and 2004 (in thousands):

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	Years Ended December	
	2006	2005
	-----	-----
Revenues, primarily rental income	\$ 1,362	\$ 2,387
	-----	-----
Depreciation and amortization	97	474
Real estate expenses	47	698
Interest expense	335	553
Provision for valuation adjustment of real estate	-	469
	-----	-----
Total expenses	479	2,194
	-----	-----
Income from discontinued operations before gain on sale	883	193
Net gain on sale of discontinued operations	3,660 (A)	1,905
	-----	-----
Income from discontinued operations	\$ 4,543	\$ 2,098
	=====	=====

(A) The \$3,660 gain has been deferred for federal tax purposes in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended.

Real estate investment, net of accumulated depreciation, and mortgage payable for the one property sold during 2006 was \$11,193,000 and \$6,783,000, respectively, at December 31, 2005.

NOTE 12 - FORMER PRESIDENT RESIGNATION AND CONTINGENCIES

In July 2005, Jeffrey Fishman resigned as the Company's president, chief executive officer and a member of its Board of Directors following the discovery of what appeared to be inappropriate financial dealings by Mr. Fishman with a tenant of a movie theater property located in Brooklyn, NY, owned by a joint venture in which the Company is a 50% venture partner and the managing member. The Company reported this matter to the Securities and Exchange Commission in July 2005. The Audit Committee of the Board of Directors conducted an investigation of this matter and related matters and retained special counsel to assist the committee in the investigation. The investigation was completed and the Audit Committee and its special counsel, based on the materials gathered and interviews conducted found no evidence that any other officer or employee of the Company was aware of, or knowingly assisted in Mr. Fishman's inappropriate financial dealings.

NOTE 12 - FORMER PRESIDENT RESIGNATION AND CONTINGENCIES (Continued)

On August 12, 2005, the tenant of the Brooklyn, NY theater property, (referred

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to in the preceding paragraph), Pritchard Square Cinema LLC, and Pritchard Square LLC, commenced litigation in the Supreme Court of the State of New York, Nassau County against the Company, certain of its affiliated entities, Mr. Fishman and Britannia Management, LLC ("Britannia"), a company which the Company believes is owned and/or controlled by Mr. Fishman. Pritchard Square LLC was the seller and Pritchard Square Cinema LLC was the tenant of the Brooklyn, NY property which was acquired in a "sale and leaseback transaction" by the joint venture. The tenant of the Brooklyn, NY theater sold its business operations and assigned its interest as tenant under its lease to an unaffiliated entity in February 2005. In the litigation, the tenant and its related entity allege that it or its affiliates paid \$815,000 in the aggregate to Mr. Fishman and/or Britannia. As against Mr. Fishman, Britannia, the Company and affiliated entities, the complaint alleges fraud, breach of contract, intentional tort, negligent supervision, respondeat superior, negligent misrepresentation, tortious interference with prospective economic relations and conduct in violation of the Racketeer Influenced and Corrupt Organizations Act ("RICO"). The damages sought in the complaint are \$9 million plus punitive damages, interest and costs and a demand for treble damages under RICO. The Brooklyn, NY property was sold by the joint venture in September 2006. (See Note 4.)

On the same date that the complaint was filed against the Company and certain of its affiliated entities, the Company filed suit in the Supreme Court of the State of New York, Nassau County against the former tenant of the Brooklyn, NY property, Norman Adie, the former tenant's principal, Jeffrey Fishman, Britannia and others. The Company's complaint alleges that Mr. Adie, Mr. Fishman and other defendants conspired to defraud the Company. The Company's lawsuit alleges commercial bribery, fraud, breach of fiduciary duty, tortious interference, intentional tort, violation of the New York Enterprise Corruption Act, respondeat superior, unjust enrichment and violations of RICO. The damages alleged in this lawsuit exceed \$1 million, plus punitive damages, interest and costs.

Motions were made by both parties to consolidate the two actions and the Court has ordered a consolidation of the actions for all purposes. On March 14, 2007, the consolidated actions were settled with respect to Pritchard Square Cinema LLC, Pritchard Square LLC, Norman Aide (the principal of both Pritchard Square entities) and certain other persons associated or affiliated with the Pritchard Square entities and Mr. Aide (Pritchard Square parties). The litigation commenced by the Company and certain of its affiliated entities against Mr. Fishman, his wife and Britannia will continue. Under the terms of a settlement agreement entered into between Pritchard Square parties and the Company, a designee of Pritchard Square purchased from a joint venture in which the Company is a 50% joint venture partner, a property located in Monroe, New York for a consideration of \$1,250,000.

On June 21, 2006 the Company announced that it had received notification of a formal order of investigation from the SEC. Management believes that the matters being investigated by the SEC focus on the improper payments received by Mr. Fishman. The SEC has also requested information regarding "related party" transactions between the Company and entities affiliated with it and with certain of the Company's officers and directors and compensation paid to certain of the Company's executive officers by those affiliates. The Company's Audit Committee (and its counsel), having previously conducted an investigation regarding Mr. Fishman's inappropriate financial dealings, conducted an investigation concerning "related party transactions", which has been substantially completed. The Company's direct legal expenses related to these investigations totaled \$726,000 and \$560,000 in the years ended December 31, 2006 and 2005, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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The Company maintains a non-contributory defined contribution pension plan covering eligible employees and officers. Contributions by the Company are made through a money purchase plan, based upon a percent of qualified employees' total salary as defined. Pension expense approximated \$90,000, \$60,000 and \$56,000 during the years ended December 31, 2006, 2005 and 2004, respectively. At December 31, 2006, \$25,000 remains unpaid and is included in accrued expenses and other liabilities on the consolidated balance sheet.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

In the ordinary course of business the Company is party to various legal actions which management believes are routine in nature and incidental to the operation of the Company's business. Management believes that the outcome of the proceedings will not have a material adverse effect upon the Company's consolidated statements taken as a whole.

NOTE 14 - TAXES

The Company elected to be taxed as a real estate investment trust (REIT) under the Internal Revenue Code, commencing with its taxable year ended December 31, 1983. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its adjusted taxable income to its stockholders. It is management's current intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate level federal, state and local income tax on taxable income it distributes currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal, state and local income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even though the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property, and to federal excise taxes on its undistributed taxable income.

During the year ended December 31, 2006, the Company recorded a \$490,000 accrual of Federal excise tax which is based on taxable income generated but not yet distributed. Included in general and administrative expenses for the years ended December 31, 2006, 2005 and 2004 are state tax expense of \$143,000, \$140,000 and \$107,000, respectively.

Reconciliation Between Financial Statement Net Income and Federal Taxable Income:

The following unaudited table reconciles financial statement net income to federal taxable income for the years ended December 31, 2006, 2005 and 2004 (amounts in thousands):

	2006 Estimate -----	2005 Actual -----	2004 Actual -----
Net income	\$36,425	\$21,280	\$10,974
Straight line rent adjustments	(343)	(1,602)	(1,205)
Financial statement gain on sale			

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in excess of tax gain (A)	(3,660)	(11,287)	-
Rent received in advance, net	77	(590)	275
Financial statement provisions for valuation adjustment	780	1,751	366
Fee income subject to tax, not recorded for books	-	-	134
Financial statement adjustment for above/below market leases	(252)	(118)	188
Restricted stock expense, non-deductible	515	294	189
Financial statement depreciation in excess of tax depreciation	770	537	207
Other adjustments	(47)	59	35
	-----	-----	-----
Federal taxable income	\$34,265	\$10,324	\$11,163
	=====	=====	=====

(A) Amounts include \$3,660 GAAP gain on sale of real estate and \$10,248 GAAP gain on sale of air rights for the years ended December 31, 2006 and 2005, respectively, which were deferred for federal tax purposes in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended.

NOTE 14 - TAXES (Continued)

Reconciliation Between Cash Dividends Paid and Dividends Paid Deduction:

The following unaudited table reconciles cash dividends paid with the dividends paid deduction for the years ended December 31, 2006, 2005 and 2004 (amounts in thousands):

	2006 Estimate -----	2005 Actual -----
Cash dividends paid	\$13,420	\$12,9
Dividend reinvestment plan (B)	59	
	-----	-----
	13,479	13,0
Less: Spillover dividends designated to following year (C)	-	(3,2
Less: Return of capital	-	(2,6
Plus: Spillover dividends designated from prior year	3,265	3,2
Plus: Dividends designated from following year (D)	17,571	
	-----	-----
Dividends paid deduction (E)	\$34,315	\$10,3
	=====	=====

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(B) Amount reflects the 5% discount on the Company's common shares purchased through the dividend reinvestment plan.

(C) The entire dividend paid in January 2006 and 2005 was considered 2006 and 2005 dividends, respectively, as it was in excess of the Company's accumulated earnings and profits through 2005 and 2004, respectively.

(D) This amount will be paid no later than the October 2007 dividend.

(E) Dividends paid deduction is slightly higher than federal taxable income in 2006, 2005 and 2004 so as to account for adjustments made to federal taxable income as a result of the impact of the alternative minimum tax.

NOTE 15 - QUARTERLY FINANCIAL DATA (Unaudited):

(In Thousands, Except Per Share Data)

	Quarter Ended			
	March 31	June 30	September 30	December 31
	-----	-----	-----	-----
2006				
Rental revenues as previously reported	\$7,584	\$8,562	\$8,615	\$8,615
Revenues from discontinued operations (A)	(303)	-	-	-
	-----	-----	-----	-----
Revenues (B)	\$7,281	\$8,562	\$8,615	\$8,615
	=====	=====	=====	=====
Income from continuing operations	\$2,932	\$2,639	\$5,534 (C)	\$5,534
Income from discontinued operations	138	553	201	300
	-----	-----	-----	-----
Net income	\$3,070	\$3,192	\$5,735 (C)	\$5,834
	=====	=====	=====	=====
Weighted average number of common shares outstanding:				
Basic	9,894	9,930	9,937	9,937
Diluted	9,897	9,934	9,940	9,937
Net income per common share - basic and diluted:				
Income from continuing operations	\$.30	\$.26	\$.56	\$.56
Income from discontinued operations	.01	.06	.02	.03

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Net income	----- \$.31 =====	----- \$.32 =====	----- \$.58 =====	----- \$ =====
------------	--------------------------	--------------------------	--------------------------	----------------------

- (A) Excludes revenues from discontinued operations which were previously excluded from total revenues as previously reported in the June, September and December 2006 quarters.
- (B) Amounts have been adjusted to give effect to the Company's discontinued operations in accordance with Statement No. 144.
- (C) Includes \$3,294 (or \$.33 per common share) from gain on disposition of real estate related to unconsolidated joint venture.
- (D) Includes \$23,614 (or \$2.37 per common share) from gain on dispositions of real estate related to unconsolidated joint ventures.
- (E) Calculated on weighted average shares outstanding for the year.

NOTE 15 - QUARTERLY FINANCIAL DATA (Unaudited) (Continued):
(In Thousands, Except Per Share Data)

	Quarter Ended			
	March 31 -----	June 30 -----	September 30 -----	December 31 -----
2005				
Rental revenues as previously reported	\$7,106	\$7,174	\$7,107	\$7,545
Revenues from discontinued operations (F)	(633)	(461)	(303)	(303)
Revenues (G)	\$6,473 =====	\$6,713 =====	\$6,804 =====	\$7,242 =====
Income from continuing operations	\$2,728	\$12,763 (H)	\$1,026	\$2,665
Income (loss) from discontinued operations	(5)	520	703	880
Net income	\$2,723 =====	\$13,283 (H) =====	\$1,729 =====	\$3,545 =====
Weighted average number of common shares outstanding:				
Basic	9,795	9,841	9,852	9,863
Diluted	9,802	9,845	9,857	9,868

Net income per common share - basic and diluted:

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Income from continuing operations	\$.28	\$ 1.30	\$.11	\$.27
Income from discontinued operations	-	.05	.07	.09
Net income	=====	=====	=====	=====

- (F) Excludes revenues from discontinued operations which were previously excluded from total revenues as previously reported in the September and December 2005 quarters.
- (G) Amounts have been adjusted to give effect to the Company's discontinued operations in accordance with Statement No. 144.
- (H) Includes \$10,248 (or \$1.04 per common share) from the sale of air rights.
- (I) Calculated on weighted average shares outstanding for the year.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

Schedule III - Consolidated Real Estate and Accumulated Depreciation

December 31, 2006

(Amounts in Thousands)

	Encumbrances	Land	Initial Cost to Company Buildings	Cost Capitalized to Acquisition Improve- ments	Land	Gross Amount Dece Bu Impr
	-----	----	-----	-----	----	-----
Free Standing Retail Locations: -----						
11 Properties - Note 1	\$26,561	\$10,286	\$45,414	\$ -	\$10,286	\$

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Miscellaneous	85,949	30,178	119,041	921	30,178
Flex Buildings:					

Miscellaneous	12,396	3,780	15,125	407	3,780
Office Buildings:					

Parsippany, NJ	16,699	6,055	23,300	-	6,055
Miscellaneous	17,400	3,537	13,688	2,524	3,537
Apartment Building:					

Miscellaneous	4,372	1,110	4,439	-	1,110
Industrial:					

Baltimore, MD	23,000	6,530	25,769	-	6,530
Miscellaneous	18,559	8,722	37,206	57	8,722
Theater:					

Miscellaneous	6,328	-	8,328	-	-
Health Clubs:					

Miscellaneous	10,012	2,233	8,729	2,731	2,233
	-----	-----	-----	-----	-----
	\$221,276	\$72,431	\$301,039	\$6,640	\$72,431
	=====	=====	=====	=====	=====

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

Schedule III - Consolidated Real Estate and Accumulated Depreciation

December 31, 2006

(Amounts in Thousands)

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	Accumulated Depreciation -----	Date of Construc- tion ----	Date Acquired -----	Life on Whi Depreciation Latest Inco Statement i Computed (Years) -----
Free Standing Retail Locations: -----				
11 Properties - Note 1	\$ 804	Various	4/7/06	40
Miscellaneous	13,905	Various	Various	40
Flex Buildings: -----				
Miscellaneous	2,305	Various	Various	40
Office Buildings: -----				
Parsippany, NJ	752	1997	9/16/05	40
Miscellaneous	2,090	Various	Various	40
Apartment Building: -----				
Miscellaneous	2,025	1910	6/14/94	27.5
Industrial: -----				
Baltimore, MD	27	1960	12/20/06	40
Miscellaneous	3,629	Various	Various	40
Theater: -----				
Miscellaneous	1,292	2000	8/10/04	15.6
Health Clubs: -----				
Miscellaneous	1,440 -----	Various	Various	40
	\$28,269 =====			

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Note 1 - These 11 properties are retail furniture stores covered by one master lease and one loan that is secured by crossed mortgages. They are located in six states (Georgia, Kansas, Kentucky, South Carolina, Texas and Virginia) and no individual property is greater than 5% of the Company's total assets.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

Notes To Schedule III Consolidated Real Estate And Accumulated Depreciation

(a) Reconciliation of "Real Estate and Accumulated Depreciation"
(Amounts In Thousands)

	2006 ----	Year Ended December 31, 2005 ----
Investment in real estate:		
Balance, beginning of year	\$280,046	\$247,183
Addition: Land, buildings and improvements	112,462	57,772
Deductions:		
Cost of properties sold	(12,398)	(24,440)
Valuation allowance (c)	-	(469)
	-----	-----
Balance, end of year	\$380,110 =====	\$280,046 =====
Accumulated depreciation:		
Balance, beginning of year	\$21,924	\$ 18,647
Addition: depreciation	6,857	5,755
Deductions:		
Accumulated depreciation related to properties sold	(512)	(2,478)
	-----	-----
Balance, end of year	\$ 28,269 =====	\$ 21,924 =====

(b) The aggregate cost of the properties is approximately \$18,541 lower

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for federal income tax purposes at December 31, 2006.

- (c) During the years ended December 31, 2005 and 2004, the Company recorded provisions for valuation adjustment of real estate totaling \$469 and \$366, respectively. See Note 2 to the consolidated financial statements for further information.

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Company	State of Organization
OLP Texas, Inc.	Texas
OLP-TSA Georgia, Inc.	Georgia
OLP Dixie Drive Houston, Inc.	Texas
OLP Greenwood Village, Colorado, Inc.	Colorado
OLP Ft. Myers, Inc.	Florida
OLP Rabro Drive Corp.	New York
OLP Columbus, Inc.	Ohio
OLP Mesquite, Inc.	Texas
OLP South Highway Houston, Inc.	Texas
OLP Selden, Inc.	New York
OLP Palm Beach, Inc.	Florida
OLP New Hyde Park, Inc.	New York
OLP Champaign, Inc.	Illinois
OLP Batavia, Inc.	New York
OLP Hanover PA, Inc.	Pennsylvania
OLP Grand Rapids, Inc.	Michigan
OLP El Paso, Inc.	Texas
OLP Plano, Inc.	Texas
OLP Baltimore, MD, Inc.	Maryland
OLP Hauppauge, LLC	New York
OLP Ronkonkoma, LLC	New York
OLP Plano 1, L.P.	Texas
OLP El Paso 1, L.P.	Texas
OLP Plano, LLC	Delaware
OLP El Paso 1, LLC	Delaware
OLP Hanover 1, LLC	Pennsylvania
OLP Theaters, LLC	Delaware
OLP Movies, LLC	Delaware
OLP Tucker, LLC	Georgia
OLP Lake Charles, LLC	Louisiana
OLP Marcus Drive, LLC	New York
OLP Sommerville, LLC	Massachusetts
OLP Newark, LLC	Delaware
OLP Texas, LLC	Delaware
OLP GP Inc.	Texas
OLP Texas 1, L.P.	Texas
OLP Los Angeles, Inc.	California
OLP Chula Vista Corp.	California
OLP Knoxville LLC	Tennessee
OLP Athens LLC	Delaware
OLP NNN Manager LLC	Delaware
OLP Greensboro LLC	Delaware
OLP South Milwaukee Manager LLC	Delaware

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OLP Onalaska LLC	Delaware
OLP Saint Cloud LLC	Minnesota
OLP CC Antioch LLC	Tennessee
OLP CC Fairview Heights LLC	Illinois
OLP CC Ferguson LLC	Missouri
OLP CC St. Louis LLC	Missouri
OLP CC Florence LLC	Kentucky
OLP Tomlinson LLC	Pennsylvania
OLP Parsippany LLC	Delaware
OLP Veterans Highway LLC	New York
OLP Haverty's LLC	Delaware
OLP Havertportfolio L.P.	Delaware
OLP Havertportfolio GP LLC	Delaware
OLP Maine LLC	Delaware
OLP 6609 Grand LLC	Delaware
OLP Savannah LLC	Delaware
OLP Baltimore LLC	Delaware
OLP LA-MS LLC	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (i) on Form S-3 (No. 333-108765) and in the related Prospectus; (ii) on Form S-8 (No. 333-101681) pertaining to the 1996 Stock Option Plan; and (iii) on Form S-8 (No. 333-104461) pertaining to the 2003 Incentive Plan of One Liberty Properties, Inc., of our reports dated March 14, 2007, with respect to the consolidated financial statements and schedule of One Liberty Properties, Inc., One Liberty Properties, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of One Liberty Properties, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ Ernst & Young LLP

New York, New York
March 14, 2007

Exhibit 31.1

CERTIFICATION

I, Fredric H. Gould, Chairman of the Board and Chief Executive Officer of One Liberty Properties, Inc., certify that:

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1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2006 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 officers 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 Rules 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 and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(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 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 officers and I have disclosed, based on our most recent evaluation of internal controls 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

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registrant's internal control over financial reporting.

Date: March 14, 2007

/s/ Fredric H. Gould

Fredric H. Gould
Chairman of the Board and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Patrick J. Callan, Jr., President of One Liberty Properties, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2006 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 officers 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 Rules 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 and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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(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 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 officers and I have disclosed, based on our most recent evaluation of internal controls 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: March 14, 2007

/s/ Patrick J. Callan, Jr.

Patrick J. Callan, Jr.
President

Exhibit 31.3

CERTIFICATION

I, David W. Kalish, Senior Vice President and Chief Financial Officer of One Liberty Properties, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2006 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as

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defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 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 and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(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 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 officers and I have disclosed, based on our most recent evaluation of internal controls 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: March 14, 2007

/s/ David W. Kalish

David W. Kalish
Senior Vice President and
Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATION OF CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

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

The undersigned, Fredric H. Gould, Chairman of the Board and Chief Executive Officer of One Liberty Properties, Inc. (the "Registrant"), does hereby certify to his knowledge, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based upon a review of the Annual Report on Form 10-K for the year ended December 31, 2006 of 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: March 14, 2007

/s/ Fredric H. Gould

Fredric H. Gould
Chairman of the Board and
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF PRESIDENT

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

The undersigned, Patrick J. Callan, Jr., President of One Liberty Properties, Inc. (the "Registrant"), does hereby certify to his knowledge, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based upon a review of the Annual Report on Form 10-K for the year ended December 31, 2006 of 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: March 14, 2007

/s/ Patrick J. Callan, Jr.

Patrick J. Callan, Jr.
President

EXHIBIT 32.3

CERTIFICATION OF SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

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

The undersigned, David W. Kalish, Senior Vice President and Chief Financial Officer of One Liberty Properties, Inc. (the "Registrant"), does hereby certify to his knowledge, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based upon a review of the Annual Report on Form 10-K for the year ended December 31, 2006 of 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: March 14, 2007

/s/ David W. Kalish

David W. Kalish
Senior Vice President and Chief
Financial Officer