

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-30**
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FILER

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY

CIK: **36840** | IRS No.: **221697095** | State of Incorporation: **NJ** | Fiscal Year End: **1031**
Type: **10-Q** | Act: **34** | File No.: **002-27018** | Film No.: **95546788**
SIC: **6798** Real estate investment trusts

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20594

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended April 30, 1995

Commission File No. 2-48728

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY

(exact name of registrant as specified in its charter)

New Jersey

22-1697095

(State or other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

505 Main Street, P.O. Box 667, Hackensack, New Jersey

07602

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 201-488-6400

Former name, former address and former fiscal year,
if changed since last report.

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 []

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY

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FIRST REAL ESTATE INVESTMENT TRUST
OF NEW JERSEY AND AFFILIATE

COMBINED BALANCE SHEETS
APRIL 30, 1995 AND OCTOBER 31, 1994
(Unaudited)

<TABLE>
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ASSETS	April 30, 1995	October 31, 1994
-----	-----	-----
	(In Thousands of Dollars)	
<S>	<C>	<C>
Real estate, at cost, net of accumulated depreciation (Notes 3, 4 and 5)	\$62,790	\$63,176
Equipment, at cost, net of accumulated depreciation of \$521,000 and \$491,000	213	214
Cash	345	238
Tenants' security accounts	891	867
Sundry receivables	177	325
Prepaid expenses and other assets	524	601
Deferred charges, net	176	192
	-----	-----
Totals	\$65,116	\$65,613
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		

Liabilities:		
Mortgages payable (Note 4)	\$33,719	\$34,019
Note payable - bank (Note 5)	5,778	5,428
Accounts payable and accrued expenses	333	344
Tenants' security deposits	992	964
Other liabilities	25	77
Deferred revenue	37	137
	-----	-----
Total liabilities	40,884	40,969
	-----	-----
Minority interest	3,543	3,496
	-----	-----
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Shares of beneficial interest without par value; 2,310,000 (1995) and 1,560,000 (1994) shares authorized; 1,559,788 shares issued and outstanding (Note 9)	19,314	19,314
Undistributed earnings	1,375	1,834
	-----	-----
Total shareholders' equity	20,689	21,148
	-----	-----
Totals	\$65,116	\$65,613
	=====	=====

</TABLE>
See Notes to Combined Financial Statements.

FIRST REAL ESTATE INVESTMENT TRUST
OF NEW JERSEY AND AFFILIATE
COMBINED STATEMENTS OF INCOME AND UNDISTRIBUTED EARNINGS
SIX AND THREE MONTHS ENDED APRIL 30, 1995 AND 1994
(Unaudited)

<TABLE>
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INCOME	Six Months Ended April 30,		Three Months Ended April 30,	
-----	1995	1994	1995	1994
	-----	-----	-----	-----
	(In Thousands of Dollars, Except Per Share Amounts)			
<S>	<C>	<C>	<C>	<C>
Rental revenue:				
Rental income (Note 6)	\$ 5,807	\$ 4,509	\$ 2,902	\$ 2,275
Real estate taxes reimbursed	329	309	155	141
Common area maintenance reimbursed	183	233	79	154
Sundry income	71	73	30	3
	-----	-----	-----	-----
Totals	6,390	5,124	3,166	2,573

Rental expenses:				
Operating expenses	1,424	1,256	721	663
Management fees (Note 7)	275	222	139	113
Real estate taxes	756	629	372	328
Interest	1,538	1,145	771	571
Depreciation	752	588	377	294
Totals	4,745	3,840	2,380	1,969
Income from rental operations ...	1,645	1,284	786	604
Other income (expense):				
Interest income	4	4	2	2
Interest expense	(235)	(116)	(144)	(54)
General and administrative ..	(126)	(92)	(66)	(46)
Totals	(357)	(204)	(208)	(98)

</TABLE>

FIRST REAL ESTATE INVESTMENT TRUST
OF NEW JERSEY AND AFFILIATE
COMBINED STATEMENTS OF INCOME AND UNDISTRIBUTED EARNINGS
SIX AND THREE MONTHS ENDED APRIL 30, 1995 AND 1994
(Unaudited)

(Continued)

<TABLE>

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INCOME	Six Months Ended April 30,		Three Months Ended April 30,	
	1995	1994	1995	1994
	(In Thousands of Dollars, Except Per Share Amounts)			
Income before minority interest .	1,288	1,080	578	506
Minority interest	(47)	(23)		
Net income	\$ 1,241	\$ 1,080	\$ 555	\$ 506
Earnings per share (Note 8)	\$.80	\$.69	\$.36	\$.32
UNDISTRIBUTED EARNINGS				
Balance, beginning of period	\$ 1,834	\$ 1,978	\$ 1,366	\$ 1,523
Net income	1,241	1,080	555	506
Less dividends paid	(1,700)	(1,528)	(546)	(499)
Balance, end of period	\$ 1,375	\$ 1,530	\$ 1,375	\$ 1,530
Dividends paid per share	\$ 1.09	\$.98	\$.35	\$.32

</TABLE>

See Notes to Combined Financial Statements.

FIRST REAL ESTATE INVESTMENT TRUST
OF NEW JERSEY AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED APRIL 30, 1995 AND 1994
(Unaudited)

<TABLE>

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	1995	1994
	(In Thousands of Dollars)	
	<C>	<C>

<S>

Operating activities:		
Net income	\$ 1,241	\$ 1,080
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	768	625
Deferred revenue	(100)	(97)
Minority interest	47	
Changes in operating assets and liabilities:		
Tenants' security accounts	(24)	(45)
Sundry receivables, prepaid expenses and other assets	225	13
Accounts payable and accrued expenses	(11)	(35)
Tenants' security deposits	28	52
Other liabilities	(52)	(2)
	-----	-----
Net cash provided by operating activities	2,122	1,591
	-----	-----
Investing activities - capital expenditures	(365)	(111)
	-----	-----
Financing activities:		
Dividends paid	(1,700)	(1,528)
Deferred charges	(58)	
Proceeds (repayments) from note payable - bank	350	(481)
Repayment of mortgages	(300)	(187)
	-----	-----
Net cash used in financing activities	(1,650)	(2,254)
	-----	-----
Net increase (decrease) in cash	107	(774)
Cash, beginning of period	238	928
	-----	-----
Cash, end of period	\$ 345	\$ 154
	=====	=====
Supplemental disclosure of cash flow data:		
Interest paid	\$ 1,773	\$ 1,253
	=====	=====

</TABLE>

See Notes to Combined Financial Statements.

FIRST REAL ESTATE INVESTMENT TRUST
OF NEW JERSEY AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - Organization and significant accounting policies:

Organization:

First Real Estate Investment Trust of New Jersey (the "Trust") was organized November 1, 1961 as a New Jersey Business Trust.

The Trust has elected to be taxed as a Real Estate Investment Trust under the provisions of Sections 856-860 of the Internal Revenue Code, as amended. Accordingly, the Trust does not pay Federal income tax on income whenever income distributed to shareholders is equal to at least 95% of real estate investment trust taxable income. Further, the Trust pays no Federal income tax on capital gains distributed to shareholders.

The Trust is subject to Federal income tax on undistributed taxable income and capital gains. The Trust may make an annual election under Section 858 of the Internal Revenue Code to apply part of the regular dividends paid in each respective subsequent year as a distribution for the immediately preceding year.

Basis of presentation:

The combined financial information included herein as at April 30, 1995 and for the six and three months ended April 30, 1995 and 1994 is unaudited and, in the opinion of the Trust, reflects all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the combined financial position as of that date and the combined results of operations for

those periods. The information in the combined balance sheet as of October 31, 1994 was derived from the Trust's audited annual report for 1994.

Principles of combination:

The combined financial statements include the accounts of the Trust and Westwood Hills, LLC (the "Affiliate"), which have been combined on the basis of common control. The Affiliate is a limited liability company that is 40%-owned by the Trust and managed by Hekemian & Co., Inc. ("Hekemian"), a company which manages all of the Trust's properties and in which one of the trustees of the Trust is the chairman of the board. Certain other members of the Affiliate are either trustees of the Trust or their families or officers of Hekemian. The combined financial statements include 100% of the Affiliate's assets, liabilities, operations and cash flows with the 60% interest owned by the other members of the Affiliate reflected as "minority interest." All significant intercompany accounts and transactions have been eliminated in combination.

Cash:

The Trust and its Affiliate maintain their cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Trust considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At April 30, 1995 and October 31, 1994, the Trust had no cash equivalents.

Depreciation:

Real estate and equipment are depreciated on the straight-line method by annual charges to operations calculated to absorb costs of assets over their estimated useful lives.

Revenue recognition:

Income from leases is recognized on a straight-line basis regardless of when payment is due. Lease agreements between the Trust and commercial tenants generally provide for additional rentals based on such factors as percentage of tenants' sales in excess of specified volumes, increases in real estate taxes, Consumer Price Indices and common area maintenance charges. These additional rentals are generally included in income when reported to the Trust, when billed to tenants or ratably over the appropriate period.

Deferred charges:

Deferred charges consist of mortgage costs and leasing commissions. Deferred mortgage costs are amortized on the straight-line method by annual charges to operations over the terms of the mortgages. Deferred leasing commissions are amortized on the straight-line method over the terms of the applicable leases.

Income taxes:

The Affiliate, with the consent of its members, elected to be treated as a limited liability company under the applicable sections of the Internal Revenue Code. Under these sections, income or loss, in general, is allocated to the members for inclusion in their individual income tax returns. Accordingly, there is no provision for income taxes applicable to the operations of the Affiliate in the accompanying combined financial statements.

Earnings per share:

Earnings per share are computed based on the weighted average number of shares outstanding. The weighted average number of shares outstanding was 1,559,788 for each of the six and three month periods ended April 30, 1995 and 1994.

Note 2 - Acquisition:

During May 1994, the Trust became a 40% member of the Affiliate, a newly formed limited liability company.

On June 2, 1994, the Affiliate consummated the purchase of

Westwood Properties, a residential apartment complex located in Westwood, New Jersey (the "Apartment Complex"). The cost of the Apartment Complex was approximately \$15,419,000 of which \$5,899,000 was paid in cash and \$9,520,000 was financed by the proceeds of a mortgage.

The following unaudited proforma information (in thousands of dollars, except per share amounts) shows the results of operations for the six and three months ended April 30, 1994 as though the Apartment Complex had been acquired at the beginning of fiscal 1994:

	Six Months Ended April 30, 1994	Three Months Ended April 30, 1994
	-----	-----
	<C>	<C>
Rental revenue	\$6,196	\$3,112
Rental expenses	4,800	2,458
	-----	-----
Income from rental operations	1,396	654
Other expenses, net	(204)	(98)
Minority interest	(67)	(29)
	-----	-----
Net income	\$1,125	\$ 527
	=====	=====
Earnings per share	\$.72	\$.34
	=====	=====

</TABLE>

In addition to combining the historical results of operations of the Apartment Complex and the Trust, the unaudited proforma results include adjustments for depreciation based on the Affiliate's purchase price, reduced interest income and increased interest expense related to cash paid and obligations incurred to complete the transaction.

The unaudited proforma results of operations set forth above are based on information furnished by the Trust's management. Such proforma information is not necessarily indicative of the results that would have occurred had the acquisition been made at the beginning of fiscal 1994 or of future results of operations of the combined properties.

Note 3 - Real estate:

Real estate consists of the following:

	Range of Estimated Useful Lives	April 30, 1995	October 31, 1994
	-----	-----	-----
	<C>	<C>	<C>
		(In Thousands of Dollars)	
Land		\$21,112	\$21,112
Unimproved land		2,459	2,459
Apartment buildings	7-40 years	20,947	20,749
Commercial buildings	25-31.5 years	58	58
Shopping centers	15-50 years	26,778	26,769
Construction in progress		883	737
		-----	-----
		72,237	71,884
Less accumulated de- preciation		9,447	8,708
		-----	-----
Totals		\$62,790	\$63,176
		=====	=====

</TABLE>

Note 4 - Mortgages payable:

Mortgages payable consist of the following:

<TABLE>
<CAPTION>

April 30, 1995	October 31, 1994
-----	-----

(In Thousands
of Dollars)

<S>	<C>	<C>	<C>
	State Mutual Life Assurance Company of America (A)	\$18,495	\$18,624
	Aetna Life Insurance Company (B)	5,502	5,557
	United Jersey Bank (C)	9,377	9,455
	United Jersey Bank (D)	345	383
		-----	-----
	Totals	\$33,719	\$34,019

</TABLE>

- (A) Payable in monthly installments of \$160,925 including interest at 9% through August 1997 at which time the outstanding balance is due. The mortgage is secured by a shopping center in Frederick, Maryland having a net book value of approximately \$26,623,000.
- (B) Payable in monthly installments of \$55,287 including interest at 10% through September 2001 at which time the outstanding balance is due. The mortgage is secured by a shopping center in Westwood, New Jersey having a net book value of approximately \$12,122,000.
- (C) Payable in monthly principal installments of \$12,989 plus interest at a variable rate through June 2000 at which time the outstanding balance is due. The mortgage is secured by the Apartment Complex in Westwood, New Jersey having a net book value of approximately \$15,214,000. One of the directors of the bank is a trustee of the Trust.
- (D) Payable in monthly installments of \$8,555 including interest at 7.625% through March 1999 at which time the outstanding balance is due. The mortgage is secured by an apartment building in Spring Lake, New Jersey having a net book value of approximately \$676,000.

Principal amounts (in thousands of dollars) due under the above obligations in each of the five years subsequent to April 30, 1995 are as follows:

<TABLE>
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	Year Ending April 30,	Amount
	-----	-----
<S>	<C>	<C>
	1996	\$ 632
	1997	676
	1998	18,305
	1999	404
	2000	333

</TABLE>

Note 5 - Note payable - bank:

Note payable - bank consists of borrowings under a \$20,000,-000 revolving line of credit agreement with United Jersey Bank which expires on February 10, 1997. The first \$10,000,-000 of borrowings under the line of credit bear interest at either the prime rate or the LIBOR rate plus 200 basis points. Any excess borrowings bear interest at either the prime rate plus 1/2% or the LIBOR rate plus 250 basis points. Outstanding borrowings are secured by all of the Trust's properties except the shopping centers located in Frederick, Maryland and Westwood, New Jersey and any vacant land owned by the Trust.

Note 6 - Commitments and contingencies:

Leases:

Commercial tenants:

The Trust leases commercial space having a net book value of approximately \$39,959,000 at April 30, 1995 to tenants for periods of up to twenty years. Most of

the leases contain clauses for reimbursement of real estate taxes, maintenance, insurance and certain other operating expenses of the properties. Minimum rental income (in thousands of dollars) to be received from noncancelable operating leases in years subsequent to April 30, 1995 are as follows:

<TABLE>
<CAPTION>

	Year Ending April 30, -----	Amount -----
<S>	<C>	<C>
	1996	\$ 4,310
	1997	3,797
	1998	3,234
	1999	2,878
	2000	2,392
	Thereafter	12,595
	Total	\$29,206 =====

</TABLE>

The above amounts assume that all leases which expire are not renewed and, accordingly, neither minimal rentals nor rentals from replacement tenants are included. Minimum future rentals do not include contingent rentals which may be received under certain leases on the basis of percentage of reported tenants' sales volume or increases in Consumer Price Indices. Contingent rentals included in income for each of the six month periods ended April 30, 1995 and 1994 were not material.

Residential tenants:

Lease terms for residential tenants are usually one year or less.

Environmental concerns:

A landfill which is considered a superfund site is located next to a vacant parcel of land which is owned by the Trust. The New Jersey Department of Environmental Protection and Energy ("NJDEPE") had advised the Trust that it was investigating the property for contamination as a result of the migration of environmentally sensitive materials from the landfill. In August 1994, the Trust was advised that, although the soil had not been environmentally impaired and a clean-up of the property would not be required, the NJDEPE did determine that the groundwater in the area of the landfill, including below the Trust's property, is contaminated as a result of the activity at the landfill. Accordingly, the NJDEPE is currently in the process of enforcing remediation of the groundwater by the responsible parties. As the Trust is not a responsible party, management anticipates that it will bear no liability for the cost of the groundwater remediation.

Note 7 - Management agreement:

The properties owned by the Trust and the Affiliate are currently managed by Hekemian. The management agreement requires fees equal to a percentage of rents collected. Such fees were approximately \$275,000 and \$222,000 for the six months ended April 30, 1995 and 1994, respectively and \$139,000 and \$113,000 for the three months ended April 30, 1995 and 1994, respectively.

Note 8 - Earnings per share:

Earnings per share, based on the weighted average number of shares outstanding during each period, are comprised of ordinary income.

Note 9 - Shares of beneficial interest:

On February 28, 1995, the Trust authorized an additional 750,000 shares of beneficial interest pursuant to a proposed dividend reinvestment plan (the "Plan"). The Plan was

approved by the Securities and Exchange Commission on April 11, 1995 and is expected to be instituted during the third quarter of fiscal 1995.

* * *

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion should be read in conjunction with the attached financial statements and notes thereto, and the Registrants audited financial statements and notes thereto for Fiscal Year ended October 31, 1994.

Results of Operations

The earnings per share from the Registrant's regular operations were \$.35 for the Second Quarter 1995 as compared to \$.32 for the Second Quarter 1994. The increase reflects additional rental income received from the same properties held by the Registrant in 1994 together with additional income received from the Westwood Hills, LLC which was acquired in June 1994. The earnings for the Second Quarter 1995 are in line with management's expectations and the Registrant's prior earnings history.

The earnings per share for the first six months of fiscal 1995 was \$.80 as opposed to \$.69 for the first six months of 1994 reflecting, primarily, the contribution of Westwood Hills LLC to the income of the Registrant.

Financial Condition

The Registrant continues to generate sufficient cash to meet all of its operational needs including all anticipated dividends.

On April 11, 1995 the Registrant's Dividend Re-Investment and Stock Purchase Plan (the "Plan") was declared effective by the United States Securities and Exchange Commission. The Registrant is in the process of securing all necessary approvals from the various states where shareholders of the Registrant reside in order to activate the Plan. Management anticipates that the Plan will be in effect for the third quarter 1995 dividend which will be paid in September, 1995. While Management anticipates that the Plan will make a positive contribution to the Registrant's cash flow, the extent of that contribution to the cash flow cannot be determined at the present time because there is no experience with the Plan; the Registrant cannot estimate the level of participation in the Plan by its shareholders.

Part II. Other Information.

ITEM 5. OTHER INFORMATION

A) Franklin Lakes, New Jersey Shopping Center
("Greentree Shopping Plaza" or "Greentree")

The Registrant anticipates that the Greentree Shopping Plaza will be closed during the month of September, 1995. The construction of the new center cannot start until all state and local approvals are in place which may not take place until January, 1996. As a result, the construction of the new center may not commence until the Spring of 1996. Management now anticipates that the new center will not be operational until January of 1997. As a result, from October, 1995 through December, 1996, no income will be received from Greentree. In addition, the Registrant will incur both construction costs and normal carrying charges for the property during this period. Management anticipates that Registrant will finance the construction costs of the new shopping center by securing a construction mortgage; in addition, Registrant anticipates that it will secure permanent mortgage financing for the new center.

B) Westwood, New Jersey (the "Westwood Shopping Center")

The Grand Union Company, a major tenant of the Registrant at the Westwood Shopping Center, continues to make all scheduled rent payments in accordance with its lease despite its Chapter 11 Bankruptcy filing. There has been no effort to terminate the lease.

The owner of the project adjacent to the Westwood Shopping Center who has suffered a discharge from their underground storage tanks has not pursued its request to gain access to the Registrant's property for testing.

The Registrant knows of no evidence of any contamination to its property.

The Registrant filed an 8-K Report on February 17, 1995 which (a) discussed the proposed development of the Greentree Shopping Plaza and (b) the fact Grand Union Company was a major tenant at the Westwood Shopping Center and that the Registrant did not know whether the Chapter 11 filed by Grand Union would impact the lease at Westwood.

The 8-K report filed on February 17, 1995 is incorporated by reference.

SIGNATURES

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

FIRST REAL ESTATE INVESTMENT
TRUST OF NEW JERSEY

(Registrant)

Date June 8, 1995

/s/ William R. DeLorenzo, Jr.

(Signature)*

William R. DeLorenzo, Jr.
Executive Secretary and Treasurer

*Print name and title of the signing officer under his signature.

SALES OF UNREGISTERED SECURITIES (DEBT OR EQUITY)

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY

N O N E

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