

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

FORM 10-Q

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

For the Quarterly Period Ended July 31, 2009

or

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

For the transition period from _____ to _____

Commission File No. 000-25043

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, Hackensack, New Jersey

07601

(Address of principal executive offices)

(Zip Code)

201-488-6400

(Registrant's telephone number, including area code)

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

As of September 9, 2009, the number of shares of beneficial interest outstanding was 6,942,143.

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY

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Part I: Financial Information**Item 1: Unaudited Condensed Consolidated Financial Statements**

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>(Unaudited)</u> July 31, 2009	<u>(Audited)</u> October 31, 2008
(In Thousands of Dollars)		
<u>ASSETS</u>		
Real estate, at cost, net of accumulated depreciation	\$ 206,736	\$ 208,955
Construction in progress	17,823	8,058
Cash and cash equivalents	5,137	8,192
Tenants' security accounts	2,297	2,377
Sundry receivables	4,292	4,371
Secured loans receivable	3,326	3,326
Prepaid expenses and other assets	3,802	2,952
Acquired over market leases and in-place lease costs	718	865
Deferred charges, net	2,587	2,660
Totals	<u>\$ 246,718</u>	<u>\$ 241,756</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Liabilities:		
Mortgages payable	\$ 195,219	\$ 192,352
Accounts payable and accrued expenses	8,841	4,014
Dividends payable	2,083	2,084
Tenants' security deposits	2,970	3,061
Acquired below market value leases and deferred revenue	2,981	3,485
Total liabilities	<u>212,094</u>	<u>204,996</u>
Minority interest	<u>13,192</u>	<u>13,199</u>
Commitments and contingencies		
Shareholders' equity:		
Shares of beneficial interest without par value:		
8,000,000 shares authorized;		
6,993,152 shares issued and outstanding	24,969	24,969
Treasury stock, at cost: 51,009 and 46,720 shares	(1,135)	(1,075)
Dividends in excess of net income	<u>(2,402)</u>	<u>(333)</u>
Total shareholders' equity	<u>21,432</u>	<u>23,561</u>
Totals	<u>\$ 246,718</u>	<u>\$ 241,756</u>

See Notes to Condensed Consolidated Financial Statements.

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
NINE AND THREE MONTHS ENDED JULY 31, 2009 AND 2008
(Unaudited)

	Nine Months Ended		Three Months Ended	
	July 31,		July 31,	
	2009	2008	2009	2008
	(In Thousands, Except Per Share Amounts)			
Revenue:				
Rental income	\$ 27,441	\$ 27,193	\$ 9,050	\$ 9,129
Reimbursements	3,969	3,932	1,327	1,475
Sundry income	393	310	107	124
Totals	<u>31,803</u>	<u>31,435</u>	<u>10,484</u>	<u>10,728</u>
Expenses:				
Operating expenses	8,380	8,069	2,631	2,385
Management fees	1,403	1,396	469	479
Real estate taxes	4,739	4,300	1,555	1,409
Depreciation	4,407	4,086	1,470	1,411
Totals	<u>18,929</u>	<u>17,851</u>	<u>6,125</u>	<u>5,684</u>
Operating income	12,874	13,584	4,359	5,044
Investment income	170	437	40	124
Interest expense including amortization of deferred financing costs	(8,051)	(8,694)	(2,670)	(2,876)
Minority interest	(813)	(768)	(155)	(373)
Net income	<u>\$ 4,180</u>	<u>\$ 4,559</u>	<u>\$ 1,574</u>	<u>\$ 1,919</u>
Earnings per share:				
Basic	\$ 0.60	\$ 0.67	\$ 0.23	\$ 0.28
Diluted	\$ 0.60	\$ 0.66	\$ 0.23	\$ 0.28
Weighted average shares outstanding:				
Basic	6,944	6,802	6,942	6,844
Diluted	6,944	6,897	6,942	6,941

See Notes to Condensed Consolidated Financial Statements.

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	<u>Shares of Beneficial Interest</u>	<u>Treasury Shares at Cost</u>	<u>Dividends in Excess of Net Income</u>	<u>Total Shareholders' Equity</u>
	(In Thousands of Dollars)			
Balance at October 31, 2008	\$ 24,969	\$ (1,075)	\$ (333)	\$ 23,561
Treasury shares		(60)		(60)
Net income			4,180	4,180
Dividends declared			(6,249)	(6,249)
Balance at July 31, 2009 (Unaudited)	<u>\$ 24,969</u>	<u>\$ (1,135)</u>	<u>\$ (2,402)</u>	<u>\$ 21,432</u>

See Notes to Condensed Consolidated Financial Statements.

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED JULY 31, 2009 AND 2008
(Unaudited)

	Nine Months Ended	
	July 31,	
	2009	2008
	(In Thousands of Dollars)	
Operating activities:		
Net income	\$ 4,180	\$ 4,559
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,407	4,086
Amortization	349	516
Net amortization of acquired leases	27	(72)
Deferred revenue	(435)	(215)
Minority interest	813	768
Changes in operating assets and liabilities:		
Tenants' security accounts	80	54
Sundry receivables, prepaid expenses and other assets	(992)	40
Accounts payable, accrued expenses and other liabilities	456	663
Tenants' security deposits	(91)	(13)
Net cash provided by operating activities	8,794	10,386
Investing activities:		
Capital improvements - existing properties	(1,665)	(2,562)
Construction and pre development costs	(5,780)	(7,736)
Net cash used in investing activities	(7,445)	(10,298)
Financing activities:		
Repayment of mortgages	(1,869)	(7,552)
Proceeds from mortgages and construction loans	4,630	11,031
Deferred financing costs	(36)	(282)
Proceeds from exercise of stock options	-	679
Repurchase of Company stock-Treasury shares	(60)	(120)
Dividends paid	(6,249)	(6,793)
Distributions to minority interest	(820)	(707)
Net cash used in financing activities	(4,404)	(3,744)
Net decrease in cash and cash equivalents	(3,055)	(3,656)
Cash and cash equivalents, beginning of period	8,192	12,740
Cash and cash equivalents, end of period	\$ 5,137	\$ 9,084
Supplemental disclosure of cash flow data:		
Interest paid, including capitalized construction period interest of \$121 and \$183 in fiscal 2009 and 2008, respectively.	\$ 7,772	\$ 8,478
Income taxes paid	\$ 5	\$ 44
Supplemental schedule of non cash financing activities:		
Accrued capital expenditures, construction costs, pre-development costs and interest	\$ 4,589	\$ 854
Dividends declared but not paid	\$ 2,083	\$ 2,054

See Notes to Condensed Consolidated Financial Statements.

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of presentation and recently issued accounting pronouncements:

Basis of presentation

The accompanying condensed consolidated financial statements have been prepared without audit, in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and pursuant to the rules of the Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnotes required by GAAP for complete financial statements have been omitted. It is the opinion of management that all adjustments considered necessary for a fair presentation have been included, and that all such adjustments are of a normal recurring nature.

The consolidated results of operations for the nine and three months ended July 31, 2009 are not necessarily indicative of the results to be expected for the full year. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Annual Report on Form 10-K for the year ended October 31, 2008 of First Real Estate Investment Trust of New Jersey ("FREIT").

Recently issued and adopted accounting standards

In May 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 165, "Subsequent Events" ("SFAS 165"), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This statement does not apply to subsequent events or transactions that are within the scope of other generally accepted accounting principles (GAAP) that provide different guidance on the accounting treatment for subsequent events or transactions. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009.

FREIT has adopted this statement effective with its 3rd Quarter 10-Q for the period ended July 31, 2009. In accordance with the provisions of SFAS 165, FREIT has disclosed all events or transactions through September 9, 2009 (the date the financial statements were issued), see Note 6 – *Subsequent Events*.

In June 2009, the FASB issued FASB Statement No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a Replacement of FASB Statement No. 162" ("FASB ASC"). FASB ASC is a major restructuring of accounting and reporting standards designed to simplify user access to all authoritative U.S. GAAP by providing authoritative literature in a topically organized structure. It will become the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the SEC. FASB ASC will supercede all then-existing, non-SEC accounting and reporting standards for nongovernmental entities. FASB Statement No. 168 is the final standard that will be issued by the FASB in that form. This statement is effective for financial statement issuers for interim and annual periods ending after September 15, 2009. The Company is evaluating the impact that the adoption of FASB ASC will have on its financial statements.

Note 2 - Earnings per share:

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during each period (denominator). The calculation of diluted earnings per share is similar to that of basic earnings per share, except that the denominator is increased to include the number of additional shares that would have been outstanding if all potentially dilutive shares, such as those issuable upon the exercise of stock options and warrants, were issued during the period.

In computing diluted earnings per share for the nine and three month periods ended July 31, 2009 and 2008, the assumed exercise of all of FREIT's outstanding stock options, adjusted for application of the treasury stock method, would have increased the weighted average number of shares outstanding as shown in the table below.

	Nine Months Ended July 31,		Three Months Ended July 31,	
	2009	2008	2009	2008
Basic weighted average shares outstanding	6,943,963	6,802,083	6,942,164	6,844,304
Shares arising from assumed exercise of stock options	-	94,772	-	96,777
Dilutive weighted average shares outstanding	6,943,963	6,896,855	6,942,164	6,941,081

Basic and diluted earnings per share, based on the weighted average number of shares outstanding during each period, are comprised of ordinary income for the nine and three month periods ended July 31, 2009 and the prior year's comparable period.

Note 3 - Segment information:

FREIT has determined that it has two reportable segments: commercial properties and residential properties. These reportable segments offer different types of space, have different types of tenants, and are managed separately because each requires different operating strategies and management expertise. The commercial segment contains ten (10) separate properties and the residential segment contains nine (9) properties. The accounting policies of the segments are the same as those described in Note 1 in FREIT's Annual Report on Form 10-K for the year ended October 31, 2008.

The chief operating and decision-making group of FREIT's commercial segment, residential segment and corporate/other is comprised of FREIT's Board of Trustees.

FREIT assesses and measures segment operating results based on net operating income ("NOI"). NOI, a standard used by real estate professionals, is based on operating revenue and expenses directly associated with the operations of the real estate properties, but excludes deferred rents (straight lining), lease amortization, depreciation, financing costs and other non-operating activity. NOI is not a measure of operating results or cash flows from operating activities as measured by GAAP, and is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity.

Real estate rental revenue, operating expenses, NOI and recurring capital improvements for the reportable segments are summarized below and reconciled to consolidated net income for the nine and three months ended July 31, 2009 and 2008. Asset information is not reported since FREIT does not use this measure to assess performance.

	Nine Months Ended July 31,		Three Months Ended July 31,	
	2009	2008	2009	2008
	(\$ in thousands)			
Real estate rental revenue:				
Commercial	\$ 17,230	\$ 16,888	\$ 5,739	\$ 5,848
Residential	14,437	14,335	4,695	4,808
Totals	<u>31,667</u>	<u>31,223</u>	<u>10,434</u>	<u>10,656</u>
Real estate operating expenses:				
Commercial	6,815	6,440	2,094	2,027
Residential	6,378	6,180	2,112	1,911
Totals	<u>13,193</u>	<u>12,620</u>	<u>4,206</u>	<u>3,938</u>
Net operating income:				
Commercial	10,415	10,448	3,645	3,821
Residential	8,059	8,155	2,583	2,897
Totals	<u>\$ 18,474</u>	<u>\$ 18,603</u>	<u>\$ 6,228</u>	<u>\$ 6,718</u>
Recurring capital improvements-residential	<u>\$ 143</u>	<u>\$ 346</u>	<u>\$ 36</u>	<u>\$ 88</u>
Reconciliation to consolidated net income:				
Segment NOI	\$ 18,474	\$ 18,603	\$ 6,228	\$ 6,718
Deferred rents - straight lining	163	140	59	48
Amortization of acquired leases	(27)	72	(9)	24
Investment income	170	437	40	124
Minority interest in earnings of subsidiaries	(813)	(768)	(155)	(373)
General and administrative expenses	(1,329)	(1,145)	(449)	(335)
Depreciation	(4,407)	(4,086)	(1,470)	(1,411)
Financing costs	(8,051)	(8,694)	(2,670)	(2,876)
Net income	<u>\$ 4,180</u>	<u>\$ 4,559</u>	<u>\$ 1,574</u>	<u>\$ 1,919</u>

Note 4 - Share repurchase program:

On April 9, 2008, FREIT's Board of Trustees authorized up to \$2 million for the repurchase of FREIT shares. The share repurchase plan provided for the repurchase of FREIT shares on or before March 31, 2009. Share repurchases under this program were made from time to time in the open market or through privately negotiated transactions. As of March 31, 2009, FREIT repurchased 50,920 shares of common stock at a cost of \$1,133,545.

On March 31, 2009, FREIT announced the adoption of a new share repurchase plan to replace the repurchase plan that expired on March 31, 2009. The Plan complied with Rules 10b5-1 and 10b-18 of the Securities Exchange Act of 1934 and provided for the repurchase of up to \$1,000,000 in value of FREIT's shares for the period beginning April 14, 2009 through June 30, 2009, subject to certain price limitations and other conditions established under the Plan. Share repurchases under the Plan could have been made, from time to time, through privately negotiated transactions or in the open market. The Plan could have been terminated at any time and without prior notice. Rule 10b5-1 permits the implementation of a written plan for repurchasing shares of company stock through a repurchasing agent at times when the issuer is not in possession of material, nonpublic information and allows issuers adopting such plans to repurchase shares on a regular basis, regardless of any subsequent material, nonpublic information it receives. UBS Financial Services, Inc. was engaged as FREIT's repurchasing agent, pursuant to the terms and conditions set forth in the share repurchase plan.

The share repurchase program expired on June 30, 2009. Through June 30, 2009, FREIT repurchased a total of 51,009 shares of common stock under both repurchase plans at a cost of \$1,135,026, which is reflected in the Shareholders' Equity section of FREIT's condensed consolidated balance sheets.

Note 5 - Management agreement, fees and transactions with related party:

Hekemian & Co., Inc. ("Hekemian") currently manages all the properties owned by FREIT, except for The Rotunda, which is managed by an independent third party management company. The management agreement with Hekemian, effective November 1, 2001, requires the payment of management fees equal to a percentage of rents collected. Such fees were approximately \$1,296,000, \$434,000 and \$1,289,000, \$441,000 for the nine and three months ended July 31, 2009 and 2008, respectively, and have been included in the accompanying condensed consolidated financial statements. In addition, the management agreement provides for the payment to Hekemian of leasing commissions, as well as the reimbursement of operating expenses incurred on behalf of FREIT. Such fees amounted to approximately \$323,000, \$91,000 and \$330,000, \$75,000 for the nine and three months ended July 31, 2009 and 2008, respectively. The management agreement expires on October 31, 2009, and is automatically renewed for periods of two years unless either party gives notice of non-renewal.

From time to time, FREIT engages Hekemian to provide certain additional services, such as consulting services related to development and financing activities of FREIT. Separate fee arrangements are negotiated between Hekemian and FREIT with respect to such additional services. Such fees, primarily development fees, incurred and/or paid to Hekemian for the nine months ended July 31, 2009 and 2008 were \$2,000,000 (accrued but unpaid Rotunda development fees currently under negotiation) and \$1,780,000 (development fees for Rotunda and Damascus projects), respectively.

Hekemian is owned by Robert S. Hekemian, Robert S. Hekemian, Jr. and members of their family. Mr. Robert S. Hekemian, Chairman of the Board, Chief Executive Officer and a Trustee of FREIT, is the Chairman of the Board and Chief Executive Officer of Hekemian. Mr. Robert S. Hekemian, Jr, a Trustee of FREIT, is the President of Hekemian.

Note 6 – Subsequent events

On August 6, 2009, FREIT refinanced the mortgage loans secured by its Berdan Court apartment property in Wayne, NJ, with a new mortgage for approximately \$20 million. The refinanced mortgages had outstanding principal balances that aggregated approximately \$12.3 million at a weighted average interest rate of 6.7%, and were due January 1, 2010. The new mortgage bears interest at 6.09%, and is due September 1, 2019.

On August 6, 2009, a complaint was filed against Damascus Centre, LLC (a 70% owned subsidiary of FREIT), Hekemian & Co., Inc. (FREIT's managing agent), and others in the Circuit Court of Montgomery County, Maryland. The plaintiffs lease commercial office space at the Damascus Shopping Center located in Damascus, Maryland and owned by Damascus Centre, LLC. The complaint alleges a number of causes of action in connection with alleged interference with plaintiffs' business allegedly caused by Damascus Centre, LLC's development activities at the Damascus Shopping Center. The complaint seeks compensatory damages of \$500,000 for the alleged interference with the plaintiffs' business and \$5,000,000 in punitive damages. In addition, the plaintiffs seek to enjoin the demolition of the shopping center. FREIT received notice of the lawsuit on September 2, 2009. At this time, given the recent filing of the complaint, FREIT is unable to make a determination with respect to the ultimate outcome of this matter, and accordingly, no provisions for this matter have been made in the accompanying financial statements.

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

Cautionary Statement Identifying Important Factors That Could Cause FREIT's Actual Results to Differ From Those Projected in Forward Looking Statements.

Readers of this discussion are advised that the discussion should be read in conjunction with the unaudited condensed consolidated financial statements of FREIT (including related notes thereto) appearing elsewhere in this Form 10-Q, and the consolidated financial statements included in FREIT's most recently filed Form 10-K. Certain statements in this discussion may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect FREIT's current expectations regarding future results of operations, economic performance, financial condition and achievements of FREIT, and do not relate strictly to historical or current facts. FREIT has tried, wherever possible, to identify these forward-looking statements by using words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning.

Although FREIT believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties, which may cause the actual results to differ materially from those projected. Such factors include, but are not limited to the following: general economic and business conditions, which will, among other things, affect demand for rental space, the availability of prospective tenants, lease rents, the financial condition of tenants and the default rate on leases, operating and administrative expenses and the availability of financing; adverse changes in FREIT's real estate markets, including, among other things, competition with other real estate owners, competition confronted by tenants at FREIT's commercial properties; governmental actions and initiatives; environmental/safety requirements; and risks of real estate development and acquisitions. The risks with respect to the development of real estate include: increased construction costs, inability to obtain construction financing, or unfavorable terms of financing that may be available, unforeseen construction delays and the failure to complete construction within budget.

OVERVIEW

FREIT is an equity real estate investment trust ("REIT") that owns a portfolio of residential apartment and commercial properties. Our revenues consist primarily of fixed rental income from our residential and commercial properties and additional rent in the form of expense reimbursements derived from our income producing commercial properties. Our properties are primarily located in northern New Jersey and Maryland. We acquire existing properties for investment. We also acquire properties, which we feel have redevelopment potential, and make changes and capital improvements to these properties. We develop and construct properties on our vacant land. Our policy is to acquire and develop real property for long-term investment.

The global economic and financial crisis: The recession and the bank liquidity and credit market crisis continue to plague the U.S. and the regional economies in which we operate. Continued concerns about energy costs, inflation, the cost and availability of credit, and increasing unemployment have resulted in an unprecedented lack of confidence by consumers and businesses. It is expected that this poor economic climate will continue, at least through the balance of 2009.

This economic and financial crisis has affected, and will continue to affect FREIT in a number of ways:

Residential Properties: While the occupancy at our residential properties remains high, the effects of the economic recession are being felt, especially during the current quarter. As a result of higher than normal unemployment in our areas of operations, we are experiencing rent reductions, a higher number of move-outs and higher than usual incidences of delinquencies of rental payments, causing us to more closely review our allowance for doubtful accounts and increase the related bad debt reserve as warranted. We expect these trends to continue through fiscal 2009 and result in residential revenues that are lower during fiscal 2009 than during fiscal 2008.

Commercial Properties: Consumer spending continues to be negatively impacted by the recession. This has resulted in low sales volume and lower profitability to many retail merchants, including those who are our tenants. As a result, some tenants have closed their business; some have been put on relaxed payment plans, or are seeking reduced rents or other rent concessions. As such, delinquencies have increased, causing us to more closely review our allowance for doubtful accounts and increase the related bad debt reserve as warranted. To date our tenant fall-out has been minor, however, we may experience additional fall-out of some smaller tenants, and if the recession is prolonged, some larger tenants. We expect releasing of vacated space to take longer and, generally at lower rents that reflect current economic conditions. We expect our revenues at our commercial properties to be lower during fiscal 2009 than during fiscal 2008.

Development Projects and Capital Expenditures: We have significantly reduced our capital expenditures during fiscal 2009 compared to prior years, by concentrating only on those capital expenditures that are absolutely necessary. We continue to pursue the completion of the development and construction activities started at our Damascus Shopping Center in Damascus, MD. Because of reduced demand from residential rental tenants and buyers, curtailed business expansion, and the current state of the credit markets, no date has been determined for the commencement of construction at our Rotunda and South Brunswick projects.

Debt Financing Availability: The dislocations in the credit markets have caused significant price volatility and liquidity disruptions. High pricing spreads and very conservative debt service ratio requirements have made certain financing unattractive and, in certain instances, unavailable. Additionally, construction financing for large, mixed use projects is virtually unavailable, or too costly. As a result of this difficult financing environment and reduced end user demand (see above), FREIT has not determined a date for the commencement of construction at its Rotunda Project.

On August 6, 2009, FREIT refinanced the mortgage loans secured by its Berdan Court apartment property in Wayne, NJ, with a new mortgage for approximately \$20 million. The refinanced mortgages had outstanding principal balances that aggregated approximately \$12.3 million at a weighted average interest rate of 6.7%, and were due January 1, 2010. The new mortgage bears interest at 6.09%, and is due September 1, 2019.

The \$22.5 million mortgage loan entered into by Grande Rotunda, LLC for the acquisition of the Rotunda property was scheduled to come due on July 19, 2009, and has been extended by the bank until September 30, 2009. FREIT is in the process of negotiating revised terms for this loan.

Operating Cash Flow and Dividend Distributions: FREIT's cash position remains strong. We expect that cash provided by operating activities will be adequate to cover mandatory debt service payments, necessary capital improvements and dividends necessary to retain qualification as a REIT. It is FREIT's intention to maintain its quarterly dividend at \$.30 per share until the economic climate indicates a change is appropriate, but not less than the level required to maintain its REIT status for Federal income tax purposes.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Pursuant to the Securities and Exchange Commission ("SEC") disclosure guidance for "Critical Accounting Policies," the SEC defines Critical Accounting Policies as those that require the application of management's most difficult, subjective, or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, the preparation of which takes into account estimates based on judgments and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from these estimates. The accounting policies and estimates used, which are outlined in Note 1 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended October 31, 2008, have been applied consistently as at July 31, 2009 and October 31, 2008, and for the nine and three months ended July 31, 2009 and 2008. We believe that the following accounting policies or estimates require the application of management's most difficult, subjective, or complex judgments:

Revenue Recognition: Base rents, additional rents based on tenants' sales volume and reimbursement of the tenants' share of certain operating expenses are generally recognized when due from tenants. The straight-line basis is used to recognize base rents under leases if they provide for varying rents over the lease terms. Straight-line rents represent unbilled rents receivable to the extent straight-line rents exceed current rents billed in accordance with lease agreements. Before FREIT can recognize revenue, it is required to assess, among other things, its collectibility. If we incorrectly determine the collectibility of revenue, our net income and assets could be overstated.

Valuation of Long-Lived Assets: We periodically assess the carrying value of long-lived assets whenever we determine that events or changes in circumstances indicate that their carrying amount may not be recoverable. When FREIT determines that the carrying value of long-lived assets may be impaired, the measurement of any impairment is based on a projected discounted cash flow method determined by FREIT's management. While we believe that our discounted cash flow methods are reasonable, different assumptions regarding such cash flows may significantly affect the measurement of impairment.

RESULTS OF OPERATIONS

Real Estate revenue for the nine months ended July 31, 2009 (“Current Nine Months”) experienced a slight increase of 1.2% to \$31,803,000 compared to \$31,435,000 for the nine months ended July 31, 2008 (“Prior Nine Months”). However, Real Estate revenue for the three months ended July 31, 2009 (“Current Quarter”) decreased 2.3% to \$10,484,000 compared to \$10,728,000 for the three months ended July 31, 2008 (“Prior Year’s Quarter”). The economic recession continues to have a negative impact on FREIT’s financial performance, specifically during the Current Quarter, in which both our commercial and residential segments experienced a decline in real estate revenues and operating income. (Refer to the segment disclosure below for a more detailed discussion on the financial performance of FREIT’s commercial and residential segments.)

Net income for the Current Nine Months was \$4,180,000 (\$0.60 per share diluted) compared to \$4,559,000 (\$0.66 per share diluted) for the Prior Nine Months. Net income for the Current Quarter was \$1,574,000 (\$0.23 per share diluted) compared to \$1,919,000 (\$0.28 per share diluted) for the Prior Year’s Quarter. Refer to the schedule below for a detailed analysis of the major changes that impacted revenue and net income for the nine and three months ended July 31, 2009 and 2008:

NET INCOME COMPONENTS

	Nine Months Ended July 31,			Three Months Ended July 31,		
	2009	2008	Change	2009	2008	Change
	(\$ in thousands)			(\$ in thousands)		
Income from real estate operations:						
Commercial properties	\$ 10,551	\$ 10,660	\$ (109)	\$ 3,695	\$ 3,893	\$ (198)
Residential properties	8,059	8,155	(96)	2,583	2,897	(314)
Total income from real estate operations	18,610	18,815	(205)	6,278	6,790	(512)
Financing costs:						
Fixed rate mortgages	(7,734)	(7,794)	60	(2,579)	(2,615)	36
Floating rate - Rotunda	(317)	(900)	583	(91)	(261)	170
Total financing costs	(8,051)	(8,694)	643	(2,670)	(2,876)	206
Investment income	170	437	(267)	40	124	(84)
General & administrative expenses:						
Accounting fees	(404)	(419)	15	(147)	(107)	(40)
Legal & professional fees	(98)	(57)	(41)	(16)	(25)	9
Trustee fees	(390)	(369)	(21)	(126)	(118)	(8)
Corporate expenses	(437)	(300)	(137)	(160)	(85)	(75)
Total general & administrative expenses	(1,329)	(1,145)	(184)	(449)	(335)	(114)
Minority interest in earnings of subsidiaries	(813)	(768)	(45)	(155)	(373)	218
Depreciation:						
Same properties (1)	(4,054)	(3,949)	(105)	(1,346)	(1,365)	19
Damascus center-phase I becoming operational in June 2008	(353)	(137)	(216)	(124)	(46)	(78)
Total depreciation	(4,407)	(4,086)	(321)	(1,470)	(1,411)	(59)
Net Income	\$ 4,180	\$ 4,559	\$ (379)	\$ 1,574	\$ 1,919	\$ (345)

(1) Properties operated since the beginning of fiscal 2008.

The consolidated results of operations for the Current Nine Months and Current Quarter are not necessarily indicative of the results to be expected for the full year.

SEGMENT INFORMATION

The following table sets forth comparative net operating income ("NOI") data for FREIT's real estate segments and reconciles the NOI to consolidated net income for the Current Nine Months and Current Quarter, as compared to the prior year's comparable periods:

	Commercial				Residential				Combined	
	Nine Months Ended		Increase (Decrease)		Nine Months Ended		Increase (Decrease)		Nine Months Ended	
	July 31,				July 31,				July 31,	
	2009	2008	\$	%	2009	2008	\$	%	2009	2008
(\$ in thousands)										
Rental income	\$ 13,108	\$ 12,806	\$ 302	2.4%	\$ 14,197	\$ 14,175	\$ 22	0.2%	\$ 27,305	\$ 26,981
Reimbursements	3,969	3,932	37	0.9%	-	-	-	-	3,969	3,932
Other	153	150	3	2.0%	240	160	80	50.0%	393	310
Total revenue	17,230	16,888	342	2.0%	14,437	14,335	102	0.7%	31,667	31,223
Operating expenses	6,815	6,440	375	5.8%	6,378	6,180	198	3.2%	13,193	12,620
Net operating income	\$ 10,415	\$ 10,448	\$ (33)	-0.3%	\$ 8,059	\$ 8,155	\$ (96)	-1.2%	18,474	18,603
Average Occupancy %	<u>89.2%</u>	<u>89.9%</u>		<u>-0.7%</u>	<u>93.0%</u>	<u>94.9%</u>		<u>-1.9%</u>		

Reconciliation to consolidated net income:

Deferred rents - straight lining	163	140
Amortization of acquired leases	(27)	72
Investment income	170	437
General and administrative expenses	(1,329)	(1,145)
Depreciation	(4,407)	(4,086)
Financing costs	(8,051)	(8,694)
Minority interest	(813)	(768)
Net income	<u>\$ 4,180</u>	<u>\$ 4,559</u>

	Commercial				Residential				Combined	
	Three Months Ended		Increase (Decrease)		Three Months Ended		Increase (Decrease)		Three Months Ended	
	July 31,				July 31,				July 31,	
	2009	2008	\$	%	2009	2008	\$	%	2009	2008
(\$ in thousands)										
Rental income	\$ 4,363	\$ 4,320	\$ 43	1.0%	\$ 4,637	\$ 4,737	\$ (100)	-2.1%	\$ 9,000	\$ 9,057
Reimbursements	1,327	1,475	(148)	-10.0%	-	-	-	-	1,327	1,475
Other	49	53	(4)	-7.5%	58	71	(13)	-18.3%	107	124
Total revenue	5,739	5,848	(109)	-1.9%	4,695	4,808	(113)	-2.4%	10,434	10,656
Operating expenses	2,094	2,027	67	3.3%	2,112	1,911	201	10.5%	4,206	3,938
Net operating income	\$ 3,645	\$ 3,821	\$ (176)	-4.6%	\$ 2,583	\$ 2,897	\$ (314)	-10.8%	6,228	6,718
Average Occupancy %	<u>89.8%</u>	<u>89.8%</u>		<u>0.0%</u>	<u>91.8%</u>	<u>94.2%</u>		<u>-2.4%</u>		

Reconciliation to consolidated net income:

Deferred rents - straight lining	59	48
Amortization of acquired leases	(9)	24
Investment income	40	124
General and administrative expenses	(449)	(335)
Depreciation	(1,470)	(1,411)
Financing costs	(2,670)	(2,876)
Minority interest	(155)	(373)
Net income	<u>\$ 1,574</u>	<u>\$ 1,919</u>

NOI is based on operating revenue and expenses directly associated with the operations of the real estate properties, but excludes deferred rents (straight lining), lease amortization, depreciation, financing costs and other non-operating activity. FREIT assesses and measures segment operating results based on NOI. NOI is not a measure of operating results or cash flows as measured by generally accepted accounting principles, and is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity.

Both our commercial and residential business segments continue to be profitable. However, the recession's impact on FREIT's Current Quarter is evidenced by a decrease in revenue, which combined with an increase in expenses, resulted in a decline in NOI from the Prior Nine Months and Prior Year's Quarter. The impact of the recession on FREIT's commercial and residential segments is further discussed below.

COMMERCIAL SEGMENT

FREIT's commercial properties consist of ten (10) properties totaling approximately 1,127,000 sq. ft. of retail space and 138,000 sq. ft. of office space. Seven (7) are multi-tenanted retail or office centers, and one is a single tenanted store. In addition, FREIT has two parcels of leased land, from which it receives rental income. One is from a tenant who has built and operates a bank branch on land FREIT owns in Rockaway, NJ. The other is from a tenant who is currently building and will be operating a bank branch on land FREIT owns in Rochelle Park, NJ.

As indicated in the table above under the caption Segment Information, total revenue from FREIT's commercial segment for the Current Nine Months increased by 2.0% as compared to the Prior Nine Month period. However, NOI for the Current Nine Months decreased by 0.3% from the prior year's comparable period. For the Current Quarter, total revenue and NOI decreased by 1.9% and 4.6% over the Prior Year's Quarter. The primary reasons for the decrease in NOI for the Current Nine Month period and the decrease in total revenue and NOI for the Current Quarter were lower expense reimbursements stemming from prior year CAM adjustments at the Rotunda, compounded by higher operating expenses, again at the Rotunda. Average occupancy rates for FREIT's commercial segment (exclusive of the Damascus Center) for the Current Nine Months was at 95.3%, compared to 95% for the prior year's period. The ongoing renovation at our Damascus Shopping Center property located in Damascus, MD (the "Damascus Center"), caused a temporary decline in occupancy levels. The average occupancy rate for the Damascus Center decreased to 43.4% for the Current Nine Months, as compared to 49.3% for the Prior Nine Months. On a positive note, the average occupancy rate for the Damascus Center for the Current Quarter showed signs of improvement with tenants occupying new space due to the completion of the Phase I construction. (See discussion below).

Consumer spending continues to be negatively impacted by the recession. This has resulted in low sales volume and lower profitability to many retail merchants, including those who are our tenants. As a result, some tenants have closed their business, some have been put on relaxed payment plans, and some are seeking reduced rents or other rent concessions. Delinquencies have increased, causing us to closely review our allowance for doubtful accounts and increase the related bad debt reserve as warranted. Bad debt expense for the Current Nine Months increased \$99,000 to \$133,000, as compared to \$34,000 for last year's comparable period. For the Current Quarter, bad debt expense was \$29,000, compared to \$0 for the Prior Year's Quarter. Year-to-date, tenant fall-out has been minor as average occupancy declined only 0.7%, however, we may experience additional fall-out of some smaller tenants, and if the recession is prolonged, some larger tenants. We expect re-leasing of vacated space to take longer and, generally at lower rents that reflect current economic conditions. We expect our revenues at our commercial properties to be lower during fiscal 2009 than during fiscal 2008.

DEVELOPMENT ACTIVITIES

A modernization and expansion is underway at our Damascus Center in Damascus, MD (owned by our 70% owned affiliate, Damascus Centre, LLC). Total construction costs are expected to approximate \$21.9 million. The building plans incorporate an expansion of retail space from its current configuration of approximately 140,000 sq. ft. to approximately 150,000 sq. ft., which will be anchored by a modern 58,000 sq. ft. Safeway supermarket. Construction on Phase I began in June 2007, and was completed in June 2008. Phase I construction costs were approximately \$6.2 million, of which \$1.1 million related to tenant improvements. Phase II, which comprises a new 58,000 sq. ft. Safeway supermarket, was started in December 2008. The new Safeway supermarket space was completed in August 2009, and the remainder of the Phase II construction is estimated to be completed within the next year. Construction costs for Phase II are expected to approximate \$7.3 million (a substantial portion of these costs are under contract), of which approximately \$6.9 million has been incurred as of July 31, 2009. Total construction costs will be funded from a \$27.3 million construction loan entered into on February 12, 2008. The construction loan is secured by the shopping center owned by Damascus Centre, LLC. This loan will be drawn upon as needed to fund already expended and future construction costs at the Damascus Shopping Center. As of July 31, 2009, \$9.8 million of this loan was drawn down to cover construction costs. (See "Liquidity and Capital Resources" for additional information regarding this loan.) Because of this expansion, leases for certain tenants have been allowed to expire and have not been renewed. This has caused occupancy to decline, on a temporary basis, during the construction phase.

Development plans and studies for the expansion and renovation of our Rotunda property in Baltimore, MD (owned by our 60% owned affiliate Grande Rotunda, LLC) were substantially completed during Fiscal 2008. The Rotunda property, on an 11.5-acre site, currently consists of an office building containing 138,000 sq. ft. of office space and 78,000 sq. ft. of retail space on the lower floor of the main building. The building plans incorporate an expansion of approximately 180,500 sq. ft. of retail space, approximately 302 residential rental apartments, 56 condominium units and 120 hotel rooms, and structured parking. Development costs for this project are expected to approximate \$200 million. City Planning Board approval has

been received. As of July 31, 2009, we have incurred approximately \$7.5 million for planning and feasibility studies. Due to the current economic and credit crisis, the start date for the construction has not yet been determined.

RESIDENTIAL SEGMENT

FREIT operates nine (9) multi-family apartment communities totaling 1,075 apartment units. As indicated in the table above, total revenue from our residential segment for the Current Nine Months increased 0.7% to \$14,437,000, however, NOI for the same period decreased 1.2% to \$8,059,000 from last year's comparable period. For the Current Quarter, both total revenue and NOI decreased 2.4% and 10.8% compared to the Prior Year's Quarter. The primary reasons for the decrease in NOI for the Current Nine Month period and the decrease in total revenue and NOI for the Current Quarter were a decrease in total revenue related to higher vacancies and lower base rental income for the Current Quarter, compounded by higher operating expenses primarily at the Pierre Towers and the Heights Manor, as well as an increase in bad debt expense of \$65,000 and \$30,000 for the Current Nine Months and Current Quarter, respectively.

While average occupancy at our residential properties for the Current Nine Months is at 93%, the effects of the economic recession are being felt. Year-to-date, average occupancy has fallen 1.9% compared to the Prior Nine Months, and declined 2.4% during the Current Quarter compared to the Prior Year's Quarter. These declines are attributable to the higher than normal unemployment in our areas of operation. Additionally, we are experiencing rent reductions, a higher number of move-outs, and higher than usual incidences of delinquencies of rental payments. As with our commercial segment, we are closely reviewing our allowance for doubtful accounts and increasing the related bad debt reserve as warranted. Bad debt expense for the Current Nine Months increased \$65,000 to \$130,000, as compared to \$65,000 for last year's comparable period. For the Current Quarter, bad debt expense was \$45,000, compared to \$15,000 for the Prior Year's Quarter. We expect these trends to continue through fiscal 2009 and result in residential revenues that are lower than during fiscal 2008.

Our residential revenue is principally composed of monthly apartment rental income. Total rental income is a function of occupancy and monthly apartment rents. Monthly average residential rents at the end of the Current Nine Months and the Prior Nine Month period were \$1,533 and \$1,556, respectively. A 1% decline in annual average occupancy, or a 1% decline in average rents from current levels, results in an annual revenue decline of approximately \$198,000 and \$182,000, respectively.

Capital expenditures: Since all of our apartment communities, with the exception of The Boulders, were constructed more than 25 years ago, we tend to spend more in any given year on maintenance and capital improvements than may be spent on newer properties. A major renovation program is ongoing at The Pierre Towers apartment complex ("The Pierre"). We are in the process of modernizing, where required, all apartments and some of the buildings' mechanical services. This renovation is expected to cost approximately \$3 - \$4 million, and apartments are being renovated as they become temporarily vacant, over the next year. These costs are being financed from operating cash flow and cash reserves. Through July 31, 2009, we expended approximately \$3.8 million in capital improvements at The Pierre, including approximately \$946,000 during the Current Nine Month period.

FINANCING COSTS

	Nine Months Ended		Three Months Ended	
	July 31,		July 31,	
	2009	2008	2009	2008
	(\$ in thousands)		(\$ in thousands)	
Fixed rate mortgages:				
1st Mortgages				
Existing	\$ 6,708	\$ 6,965	\$ 2,231	\$ 2,271
New	272	153	90	83
2nd Mortgages				
Existing	376	387	124	129
Variable rate mortgages:				
Acquisition loan-Rotunda	416	972	122	294
Construction loan-Damascus	106	62	33	43
Other	226	178	81	63
	<u>8,104</u>	<u>8,717</u>	<u>2,681</u>	<u>2,883</u>
Amortization of Mortgage Costs	<u>174</u>	<u>222</u>	<u>56</u>	<u>81</u>
Total Financing Costs	<u>8,278</u>	<u>8,939</u>	<u>2,737</u>	<u>2,964</u>
Less amount capitalized	<u>(227)</u>	<u>(245)</u>	<u>(67)</u>	<u>(88)</u>
Financing costs expensed	<u>\$ 8,051</u>	<u>\$ 8,694</u>	<u>\$ 2,670</u>	<u>\$ 2,876</u>

Total financing costs before capitalized amounts for the Current Nine Months and Current Quarter decreased 7.4% and 7.7%, over the prior year's comparable periods. This decrease was primarily attributable to our \$22.5 million acquisition loan for The Rotunda property, which bears a floating interest rate. Lower interest rates over the course of the Current Nine Month period decreased the level of interest expense for the Rotunda by approximately \$556,000 and \$172,000, to \$416,000 and \$122,000 for

the Current Nine Months and Current Quarter, respectively.

INVESTMENT INCOME

Investment income for the Current Nine Months and Current Quarter decreased 61% and 68% to \$170,000 and \$40,000, respectively, over the comparable prior year's periods. Investment income is principally derived from interest earned from cash on deposit in institutional money market funds and interest earned from secured loans receivable (loans made to Hekemian employees, including certain members of the immediate family of Robert S. Hekemian, FREIT CEO and Chairman of the Board, and Robert S. Hekemian, Jr., a trustee of FREIT, for their equity investment in Grande Rotunda, LLC, a limited liability company, in which FREIT owns a 60% equity interest and Damascus Centre, LLC, a limited liability company, in which FREIT owns a 70% equity interest). The decrease in investment income was primarily attributable to lower interest income on the Company's investments in cash and cash equivalents, and lower interest income relative to secured loans made to Hekemian employees in connection with the sale of equity interests in the Rotunda and the Damascus Center, due in part to lower interest rates.

To protect our cash deposits due to the current banking crisis, we have repositioned our bank deposits to fall within the insured limits of the FDIC and the U.S. Treasury Guarantee Program. This necessitated transferring significant balances from interest bearing deposit accounts to non-interest bearing deposit accounts, which will result in reduced earnings from interest income for the foreseeable future.

GENERAL AND ADMINISTRATIVE EXPENSES ("G & A")

During the Current Nine Months and Current Quarter, G & A was \$1,329,000 and \$449,000, respectively, as compared to \$1,145,000 and \$335,000 for the prior year's periods. The increases for the Current Nine Month and Current Quarter were primarily attributable to increased Trustees' fees, development costs related to FREIT's new website, expenditures related to the settlement of certain litigation amounting to approximately \$42,000, and higher legal and professional fees related to this litigation.

DEPRECIATION

Depreciation expense for the Current Nine Months and Current Quarter was \$4,407,000 and \$1,470,000, respectively, as compared to \$4,086,000 and \$1,411,000 for the prior year's periods. The increase for the nine and three-month periods was primarily attributable to current renovation and construction projects becoming operational at the Damascus Shopping Center, The Rotunda, the Westridge Square Shopping Center, and the Pierre Towers apartments, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our financial condition remains strong. Net cash provided by operating activities was \$8.8 million for the Current Nine Months compared to \$10.4 million for the Prior Nine Months. We expect that cash provided by operating activities will be adequate to cover mandatory debt service payments, recurring capital improvements and dividends necessary to retain qualification as a REIT (90% of taxable income).

As at July 31, 2009, we had cash and cash equivalents totaling \$5.1 million compared to \$8.2 million at October 31, 2008.

Credit Line: FREIT has an \$18 million line of credit provided by the Provident Bank. The line of credit is for a two year term ending in January 2010, but can be cancelled by the bank, at its will, at each anniversary date. Draws against the credit line can be used for general corporate purposes, for property acquisitions, construction activities, and letters of credit. Draws against the credit line are secured by mortgages on FREIT's Franklin Crossing Shopping Center, Franklin Lakes, NJ, retail space in Glen Rock, NJ, Palisades Manor Apartments, Palisades Park, NJ, and Grandview Apartments, Hasbrouck Heights, NJ. Interest rates on draws will be set at the time of each draw for 30, 60, or 90-day periods, based on our choice of the prime rate or at 175 basis points over the 30, 60, or 90-day LIBOR rates at the time of the draws. The interest rate on the line of credit has a floor of 4%.

In connection with its construction activities in Rockaway, NJ, FREIT utilized the credit line for the issuance of a \$384,000 Letter of Credit, which expired on April 3, 2009. As of July 31, 2009, approximately \$18 million was available under the line of credit.

We are in the midst of a major redevelopment project at the Damascus Shopping Center, in Damascus, MD. The total capital required for this project is estimated at \$21.9 million. Total construction costs will be funded by a \$27.3 million construction loan entered into on February 12, 2008. The construction loan is secured by the shopping center owned by Damascus Centre, LLC. This loan will be drawn upon as needed to fund already expended and future construction costs at the Damascus Shopping Center. This loan has a term of forty-eight (48) months, with one twelve (12) month extension option. FREIT guarantees 30% of the outstanding principal amount of the loan plus other costs. If the borrower defaults, Damascus 100, LLC (which owns a 30% equity interest in Damascus Centre, LLC) has indemnified FREIT for up to 30% of any losses under its guaranty. Draws against this loan bear interest at the BBA LIBOR daily floating rate plus 135 basis points. As of July 31, 2009, \$9.8 million of this loan was drawn down to cover construction costs. We expect this development project to add to revenues, income, cash flow, and shareholder value.

We are planning a major expansion at The Rotunda in Baltimore, MD that will require capital estimated at \$200 million. We expect financing for the Rotunda expansion will be, for the most part, from mortgage financing, which has not yet been obtained. Planning and feasibility studies for this project have been substantially completed. As of July 31, 2009, approximately \$7.5 million was incurred for such planning and feasibility studies. However, due to the current economic crisis and liquidity and credit crunch, no date for the commencement of construction has been determined.

At July 31, 2009, FREIT's aggregate outstanding mortgage debt was \$195.2 million and bears a weighted average interest rate of 5.31%, and an average life of approximately 4.9 years. These fixed rate mortgages are subject to amortization schedules that are longer than the term of the mortgages. As such, balloon payments (unpaid principal amounts at mortgage due date) for all mortgage debt will be required as follows:

Fiscal Year	2009	2010 *	2012	2013	2014	2016	2017	2018	2019	2022
<i>(\$ in millions)</i>										
Mortgage "Balloon" Payments	\$22.5	\$12.2	\$9.8	\$8.0	\$25.9	\$24.5	\$22.0	\$5.0	\$28.1	\$14.4

* See discussion below regarding Berdan Court refinancing.

The following table shows the estimated fair value and carrying value of our long-term debt at July 31, 2009 and October 31, 2008:

<i>(\$ in Millions)</i>	July 31, 2009	October 31, 2008
Fair Value	\$189.6	\$196.2
Carrying Value	\$195.2	\$192.4

Fair values are estimated based on market interest rates at July 31, 2009 and October 31, 2008 and on discounted cash flow analysis. Changes in assumptions or estimation methods may significantly affect these fair value estimates.

FREIT expects to refinance the individual mortgages with new mortgages when their terms expire. To this extent we have exposure to interest rate risk. If interest rates, at the time any individual mortgage note is due, are higher than the current fixed interest rate, higher debt service may be required, and/or refinancing proceeds may be less than the amount of mortgage debt being retired. For example, at July 31, 2009 a 1% interest rate increase would reduce the fair value of our debt by \$8.1 million, and a 1% decrease would increase the fair value by \$8.8 million.

On August 6, 2009, FREIT refinanced the mortgage loans secured by its Berdan Court apartment property in Wayne, NJ, with a new mortgage for approximately \$20 million. The refinanced mortgages had outstanding principal balances that aggregated approximately \$12.3 million at a weighted average interest rate of 6.7%, and were due January 1, 2010. The new mortgage bears interest at 6.09%, and is due September 1, 2019. After closing costs FREIT netted approximately \$7.3 million from this refinancing.

FREIT also has interest rate exposure on its floating rate loans. Currently, FREIT has \$32.3 million in floating rate loans outstanding, of which \$22.5 million relates to the acquisition loan for The Rotunda and \$9.8 million relates to the construction loan for the Damascus redevelopment project. A 1% rate fluctuation would impact FREIT's annual interest cost by approximately \$323,000.

The \$22.5 million mortgage loan entered into by Grande Rotunda, LLC for the acquisition of the Rotunda property was scheduled to come due on July 19, 2009, and was extended by the bank until August 31, 2009. On August 27, 2009, the bank granted another extension on this loan until September 30, 2009. FREIT is in the process of negotiating revised terms for this loan.

We believe that the values of our properties will be adequate to command refinancing proceeds equal to or higher than the mortgage debt to be refinanced. We continually review our debt levels to determine if additional debt can prudently be utilized for property acquisition additions to our real estate portfolio that will increase income and cash flow to our shareholders.

FUNDS FROM OPERATIONS (“FFO”):

Many consider FFO as the standard measurement of a REIT’s performance. We compute FFO as follows:

	Nine Months Ended		Three Months Ended	
	July 31,		July 31,	
	2009	2008	2009	2008
	(\$ in thousands)		(\$ in thousands)	
Net income	\$ 4,180	\$ 4,559	\$ 1,574	\$ 1,919
Depreciation	4,407	4,086	1,470	1,411
Amortization of deferred mortgage costs	174	222	57	81
Deferred rents (Straight lining)	(163)	(140)	(59)	(48)
Amortization of acquired leases	27	(72)	9	(24)
Capital Improvements - Apartments	(143)	(346)	(36)	(88)
Minority interests:				
Equity in earnings of affiliates	813	768	155	373
Distributions to minority interests	(820)	(707)	(257)	(112)
FFO	\$ 8,475	\$ 8,370	\$ 2,913	\$ 3,512
<i>Per Share - Basic</i>	<i>\$ 1.22</i>	<i>\$ 1.23</i>	<i>\$ 0.42</i>	<i>\$ 0.51</i>
<i>Per Share - Diluted</i>	<i>\$ 1.22</i>	<i>\$ 1.21</i>	<i>\$ 0.42</i>	<i>\$ 0.51</i>
Weighted Average Shares				
Outstanding:				
<i>Basic</i>	<u>6,944</u>	<u>6,802</u>	<u>6,942</u>	<u>6,844</u>
<i>Diluted</i>	<u>6,944</u>	<u>6,897</u>	<u>6,942</u>	<u>6,941</u>

FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States of America, and therefore should not be considered a substitute for net income as a measure of results of operations or for cash flow from operations as a measure of liquidity. Additionally, the application and calculation of FFO by certain other REITs may vary materially from that of FREIT’s, and therefore FREIT’s FFO and the FFO of other REITs may not be directly comparable.

INFLATION

Inflation can impact the financial performance of FREIT in various ways. Our commercial tenant leases normally provide that the tenants bear all or a portion of most operating expenses, which can reduce the impact of inflationary increases on FREIT. Apartment leases are normally for a one-year term, which may allow us to seek increased rents as leases renew or when new tenants are obtained, subject to prevailing market conditions.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

See “Residential Segment” and “Liquidity and Capital Resources” under Item 2 above for a detailed discussion of FREIT’s quantitative and qualitative market risk disclosures.

Item 4: Controls and Procedures

At the end of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of FREIT’s disclosure controls and procedures. This evaluation was carried out under the supervision and with participation of FREIT’s management, including FREIT’s Chairman and Chief Executive Officer and Chief Financial Officer, who concluded that FREIT’s disclosure controls and procedures are effective. There has been no change in FREIT’s internal control over financial reporting during the first nine months of fiscal 2009 that has materially affected, or is reasonably likely to materially affect, FREIT’s internal control over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in FREIT’s reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in FREIT’s reports filed under the Exchange Act is accumulated and communicated to management, including FREIT’s Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Part II: Other Information**Item 1: Legal Proceedings**

On August 6, 2009, Steven R. McKane, D.D.S., P.C. (“McKane, P.C.”) and Steven R. McKane, D.D.S. filed a complaint against Damascus Centre, LLC, Hekemian & Co., Inc. (FREIT’s managing agent), and others in the Circuit Court of Montgomery County, Maryland. Damascus Centre, LLC is a 70% owned subsidiary of FREIT. McKane, P.C. leases commercial office space at the Damascus Shopping Center located in Damascus, Maryland and owned by Damascus Centre, LLC. The complaint alleges breach of contract, trespass, negligence and intentional infliction of emotional distress in connection with alleged interference with plaintiffs’ business allegedly caused by Damascus Centre, LLC’s development activities at the Damascus Shopping Center. The complaint seeks compensatory damages of \$500,000 for the alleged interference with the plaintiffs’ business and \$5,000,000 in punitive damages. In addition, the plaintiffs seek to enjoin the demolition of the shopping center. FREIT received notice of the lawsuit on September 2, 2009. At this time, given the recent filing of the complaint, FREIT is unable to make a determination with respect to the ultimate outcome of this matter, and accordingly, no provisions for this matter have been made in the accompanying financial statements.

Item 1A: Risk Factors

There were no material changes in any risk factors previously disclosed in the Company’s Annual Report on Form 10-K for the year ended October 31, 2008, that was filed with the Securities and Exchange Commission on January 14, 2009.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Information regarding FREIT's share repurchase program for the three months ended July 31, 2009 is as follows:

Issuer Purchases of Equity Securities (1)(2)(3)(4)(5)

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
May 1, 2009 through May 31, 2009	73	\$16.40	73	\$998,783
June 1, 2009 through June 30, 2009	16	\$16.00	16	\$998,519
July 1, 2009 through July 31, 2009	-	-	-	\$0
Total	89	\$16.33	89	\$0

- (1) On April 9, 2008, FREIT's Board of Trustees authorized up to \$2 million for the repurchase of FREIT's shares of beneficial interest. The share repurchase plan provided for the repurchase of FREIT shares on or before March 31, 2009.
- (2) Share repurchases under this program were made from time to time in the open market or in privately negotiated transactions.
- (3) Through March 31, 2009, FREIT repurchased 50,920 shares at a cost of \$1,133,545.
- (4) On March 31, 2009, FREIT announced the adoption of a new share repurchase plan to replace the repurchase plan that expired on March 31, 2009. The Plan complied with Rules 10b5-1 and 10b-18 of the Securities Exchange Act of 1934 and provided for the repurchase of up to \$1,000,000 in value of FREIT's shares for the period beginning April 14, 2009 through June 30, 2009, subject to certain price limitation and other conditions established under the Plan. Share repurchases under the Plan could have been made, from time to time, through privately negotiated transactions or in the open market. The Plan could have been terminated at any time and without prior notice. Rule 10b5-1 permits the implementation of a written plan for repurchasing shares of company stock through a repurchasing agent at times when the issuer is not in possession of material, nonpublic information and allows issuers adopting such plans to repurchase shares on a regular basis, regardless of any subsequent material, nonpublic information it receives. UBS Financial Services, Inc. was engaged as FREIT's repurchasing agent, pursuant to the terms and conditions set forth in the share repurchase plan.
- (5) The share repurchase program expired on June 30, 2009. Through June 30, 2009, FREIT repurchased 51,009 shares under both repurchase plans at a cost of \$1,135,026, which is reflected in the Shareholders' Equity section of FREIT's balance sheet.

Item 6: Exhibits

Reference is made to the Exhibit index below.

Exhibit Index

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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: September 9, 2009

/s/ Robert S. Hekemian

(Signature)

Robert S. Hekemian
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

/s/ Donald W. Barney

(Signature)

Donald W. Barney
President, Treasurer and Chief Financial Officer
(Principal Financial/Accounting Officer)

EXHIBIT 31.1**CERTIFICATION**

I, Robert S. Hekemian, certify that:

1. I have reviewed this report on Form 10-Q of First Real Estate Investment Trust of New Jersey;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2009

/s/ Robert S. Hekemian

Robert S. Hekemian

Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2**CERTIFICATION**

I, Donald W. Barney, certify that:

1. I have reviewed this report on Form 10-Q of First Real Estate Investment Trust of New Jersey;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2009

/s/ Donald W. Barney
Donald W. Barney
President, Treasurer and Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of First Real Estate Investment Trust of New Jersey (the “Company”) on Form 10-Q for the quarter ended July 31, 2009 (the “Report”), I, Robert S. Hekemian, Chairman of the Board and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. § 78m(a) or 78o(d), and,
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2009

/s/ Robert S. Hekemian
Robert S. Hekemian
Chairman of the Board and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of First Real Estate Investment Trust of New Jersey (the “Company”) on Form 10-Q for the quarter ended July 31, 2009 (the “Report”), I, Donald W. Barney, President, Treasurer and Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. § 78m(a) or 78o(d), and,
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2009

/s/ Donald W. Barney
Donald W. Barney
President, Treasurer and Chief Financial Officer