

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

FORM 10-K

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

For the Fiscal Year Ended October 31, 2008

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

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)

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

Title of each Class

Name of each exchange on which registered

None

Not Applicable

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

Shares of Beneficial Interest

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

The aggregate market value of the registrant's shares of beneficial interest held by non-affiliates was approximately \$111 million. Computation is based on the closing sales price of such shares as quoted on the over-the-counter-market on April 30, 2008, the last business day of the registrant's most recently completed second quarter.

As of January 13, 2009, the number of shares of beneficial interest outstanding was 6,946,432

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Proxy Statement for the Registrant's 2009 Annual Meeting of Shareholders to be held on April 7, 2009 are incorporated by reference in Part III of this Annual Report.

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FORWARD-LOOKING STATEMENTS

Certain information included in this Annual Report contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The registrant cautions readers that forward-looking statements, including, without limitation, those relating to the registrant’s investment policies and objectives; the financial performance of the registrant; the ability of the registrant to borrow and service its debt; the economic and competitive conditions which affect the registrant’s business; the ability of the registrant to obtain the necessary governmental approvals for the development, expansion or renovation of its properties, the impact of environmental conditions affecting the registrant’s properties, and the registrant’s liquidity and capital resources, are subject to certain risks and uncertainties. Actual results or outcomes may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors, including, without limitation, the registrant’s future financial performance; the availability of capital; general market conditions; national and local economic conditions, particularly long-term interest rates; federal, state and local governmental regulations that affect the registrant; and the competitive environment in which the registrant operates, including, the availability of retail space and residential apartment units in the areas where the registrant’s properties are located. In addition, the registrant’s continued qualification as a real estate investment trust involves the application of highly technical and complex rules of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). The forward-looking statements are made as of the date of this Annual Report and the registrant assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those projected in such forward-looking statements.

PART I

ITEM 1 BUSINESS

(a) General Business

First Real Estate Investment Trust of New Jersey (“FREIT”) is an equity real estate investment trust (“REIT”) organized in New Jersey in 1961. FREIT acquires, develops, constructs and holds real estate properties for long-term investment and not for resale.

FREIT’s long-range investment policy is to review and evaluate potential real estate investment opportunities for acquisition that it believes will (i) complement its existing investment portfolio, (ii) generate increased income and distributions to its shareholders, and (iii) increase the overall value of FREIT’s portfolio. FREIT’s investments may take the form of wholly-owned fee interests, or if the circumstances warrant diversification of risk, ownership on a joint venture basis with other parties, including employees and affiliates of Hekemian & Co., Inc. (“Hekemian”) (See “Management Agreement”), provided FREIT is able to maintain management control over the property. While our general investment policy is to hold and maintain properties long-term, we may, from time-to-time, sell or trade certain properties in order to (i) obtain capital to be used to purchase, develop or renovate other properties which we believe will provide a higher rate of return and increase the value of our investment portfolio, and (ii) divest properties which we have determined or determine are no longer compatible with our growth strategies and investment objectives for our real estate portfolio.

FREIT Website

All of FREIT’s Securities and Exchange Commission filings for the past two years are available free of charge on FREIT’s website, which can be accessed at <http://www.FREITNJ.com>.

Fiscal Year 2008 Developments

(i) FINANCING

- (a) On February 12, 2008, Damascus Centre, LLC (“Damascus Centre”) closed on a \$27.3 million construction loan that is available to fund already expended and future construction costs. This loan has a term of forty-eight (48) months, with one twelve (12) month extension option. FREIT has guaranteed 30% of the loan, and the minority interests, who have a 30% investment in the Damascus Centre, have agreed to indemnify FREIT for their share of the guarantee. Draws against this loan bear interest at a floating rate equal to the BBA LIBOR daily floating rate plus 135 basis points. As of October 31, 2008, Damascus Centre drew down \$5.1 million of this loan to cover construction costs.
- (b) FREIT had a variable interest rate mortgage secured by its Patchogue, NY property. To limit interest rate volatility on this loan, FREIT entered into an interest rate swap contract. This loan came due on January 2, 2008. The due date of the loan was extended to February 29, 2008. The interest rate swap contract terminated on January 2, 2008. On February 29, 2008, the unpaid principal amount of this loan of approximately \$5.9 million was refinanced with a \$6 million mortgage loan bearing a fixed interest rate of 6.125%, with a ten (10) year term, and payable according to a thirty (30) year amortization schedule. Under the terms of the mortgage loan agreement, FREIT can request, during the term of the loan, additional fundings that will bring the outstanding principal balance up to 75% of loan-to-value (percentage of mortgage loan to total appraised value of property securing the loan).

- (c) 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.

As of October 31, 2008, approximately \$17.6 million is available under the line of credit.

(ii) CONSTRUCTION

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. Building plans for Phase I have been approved and 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. On February 12, 2008, Damascus Centre, LLC closed on a \$27.3 million construction loan that is available to fund already expended and future construction costs. This loan will be drawn upon as needed. Because of this expansion, leases for certain tenants have been allowed to expire and were not 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) continue. 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. Due to the current economic and credit crisis, the start date for the construction has not yet been determined.

(b) Financial Information about Segments

FREIT has two reportable segments: Commercial Properties and Residential Properties. These reportable segments have different types of tenants and are managed separately because each requires different operating strategies and management expertise. Segment information for the three years ended October 31, 2008 is incorporated by reference to Note 13, "Segment Information."

(c) Narrative Description of Business

FREIT was founded and organized for the principal purpose of acquiring, developing, and owning a portfolio of diverse income producing real estate properties. FREIT's developed properties include residential apartment communities and commercial properties that consist of multi and single tenanted properties. Our properties are located in New Jersey, Maryland and on Long Island, NY. We also currently own approximately 40.37 acres of unimproved land in New Jersey. See "*Item 2 Properties - Portfolio of Investments.*"

FREIT elected to be taxed as a REIT under the Internal Revenue Code. FREIT operates in such a manner as to qualify for taxation as a REIT in order to take advantage of certain favorable tax aspects of the REIT structure. Generally, a REIT will not be subject to federal income taxes on that portion of its ordinary income or capital gain that is currently distributed to its equity holders.

As an equity REIT, we generally acquire interests in income producing properties to be held as long-term investments. FREIT's return on such investments is based on the income generated by such properties mainly in the form of rents.

From time to time, FREIT has sold, and may sell again in the future, certain of its properties in order to (i) obtain capital used or to be used to purchase, develop or renovate other properties which we believe will provide a higher rate of return and increase the value of our investment portfolio, and (ii) divest properties which FREIT has determined or determines are no longer compatible with our growth strategies and investment objectives for our real estate portfolio.

We do not hold any patents, trademarks, or licenses.

Portfolio of Real Estate Investments

At October 31, 2008, FREIT's real estate holdings included (i) nine (9) apartment buildings or complexes containing 1,075 rentable units, (ii) ten (10) commercial properties (retail and office) containing approximately 1,265,000 square feet of leasable space, including one (1) single tenant store, two (2) separate one acre parcels subject to ground leases, and (iii) four (4) parcels of undeveloped land consisting of approximately 40.37 acres. FREIT and its subsidiaries own all such properties in fee simple. See "Item 2 Properties - Portfolio of Investments" of this Annual Report for a description of FREIT's separate investment properties and certain other pertinent information with respect to such properties that is relevant to FREIT's business.

Investment in Subsidiaries

The consolidated financial statements (See Note 1 to the Consolidated Financial Statements included in this Form 10-K) include the accounts of the following subsidiaries of FREIT:

Westwood Hills, LLC ("Westwood Hills"): FREIT owns a 40% membership interest in Westwood Hills, which owns and operates a 210-unit residential apartment complex in Westwood, NJ.

Wayne PSC, LLC ("WaynePSC"): FREIT owns a 40% membership interest in Wayne PSC, which owns a 322,000 sq. ft. community center in Wayne, NJ.

S And A Commercial Associates Limited Partnership ("S And A"): S And A owns a 100% interest in Pierre Towers, LLC, which owns a 269-unit residential apartment complex in Hackensack, NJ. FREIT owns a 65% partnership interest in S And A.

Grande Rotunda, LLC ("Grande"): FREIT owns a 60% membership interest in Grande, which owns a 217,000 square foot mixed use property in Baltimore, MD.

Damascus Centre, LLC ("Damascus"): FREIT owns a 70% membership interest in Damascus, which owns a shopping center in Damascus, MD that is currently being renovated and expanded. (See Item 1-a(ii) Construction.)

Damascus Second, LLC: FREIT owns a 70% interest in Damascus Second, LLC, which assumed a \$27.3 million construction loan from Bank of America for the purpose of assisting Damascus in owning, operating, managing and, as required, repairing the land and premises of the Damascus Shopping Center.

WestFREIT Corp: FREIT owns a 100% membership interest in WestFREIT, which owns the Westridge Square Shopping Center, a 257,000 square foot shopping center in Frederick, MD.

WestFredic LLC: FREIT owns a 100% membership interest in WestFredic, which assumed a \$22 million mortgage loan that is secured by the Westridge Square Shopping Center in Frederick, MD.

Employees

On October 31, 2008 FREIT and its subsidiaries had twenty-two (22) full-time employees and two (2) part-time employees who work solely at the properties owned by FREIT or its subsidiaries. The number of part-time employees varies seasonally.

Mr. Robert S. Hekemian, Chairman of the Board and Chief Executive Officer, Mr. Donald W. Barney, President, Treasurer and Chief Financial Officer, and Mr. John A. Aiello, Esq., Secretary and Executive Secretary, are the executive officers of FREIT. Mr. Hekemian devotes approximately seventy percent (70%) of his business activities to FREIT, Mr. Barney devotes approximately fifteen percent (15%) of his business activities to FREIT, and Mr. Aiello devotes approximately seven percent (7%) of his business activities to FREIT. Refer to "Item 10 – Directors, Executive Officers and Corporate Governance." Hekemian & Co., Inc. ("Hekemian") has been retained by FREIT to manage FREIT's properties and is responsible for recruiting, on behalf of FREIT, the personnel required to perform all services related to the operation of FREIT's properties. See "Management Agreement."

Management Agreement

On April 10, 2002, FREIT and Hekemian executed a Management Agreement whereby Hekemian would continue as Managing Agent for FREIT. The term of the Management Agreement currently runs until October 31, 2009 and shall be automatically renewed for periods of two years unless either party gives not less than six (6) months prior notice to the other of non-renewal. The salient provisions of the Management Agreement are as follows: FREIT continues to retain the Managing Agent as the exclusive management and leasing agent for properties which FREIT owned as of April 2002 and for the Preakness Shopping Center acquired on November 1, 2002 by WaynePSC. However, FREIT may retain other managing agents to manage certain other properties acquired after April 10, 2002 and to perform various other duties such as sales, acquisitions, and development with respect to any or all properties. The Managing Agent is no longer the exclusive advisor for FREIT to locate and recommend to FREIT investments, which the Managing Agent deems suitable for FREIT, and is no longer required to offer potential acquisition properties exclusively to FREIT before acquiring those properties for its own account. The Management Agreement includes a detailed schedule of fees for those services, which the Managing Agent may be called upon to perform. The Management Agreement provides for a termination fee in the event of a termination or non-renewal of the Management Agreement under certain circumstances.

Pursuant to the terms of the Management Agreement, FREIT pays Hekemian certain fees and commissions as compensation for its services. 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 or its affiliates, with respect to such additional services. During the 4th quarter of Fiscal 2007, FREIT's Board of Trustees approved, in general, development fee arrangements for the development services to be performed at The Rotunda (owned by Grande a 60% owned affiliate of FREIT), the Damascus Center (owned by Damascus, a 70% owned affiliate of FREIT), and the South Brunswick project. These fees will be payable to Hekemian Development Resources LLC ("Resources") a wholly owned affiliate of Hekemian. As of the date of this Annual Report, only the definitive agreement for the development services to be performed at The Damascus Center has been executed. The development fee arrangement for The Rotunda provides for Resources to receive a fee equal to 6.375% of the total development costs of up to \$136 million (as may be modified), and the fee for the redevelopment of the Damascus Shopping Center to be equal to 7% of the redevelopment costs of up to approximately \$17.3 million (as may be modified). The minority ownership interests of Grande and Damascus are owned by Rotunda 100, LLC and Damascus 100, LLC, which are principally owned by employees of Hekemian, including certain members of the immediately family of Robert S. Hekemian, FREIT's CEO and Chairman, and Robert S. Hekemian, Jr., a trustee of FREIT, and the members of the Hekemian family have majority management control of these entities. In connection with the development activities at South Brunswick, the fees with respect to this project are 7% of development costs of up to \$21,000,000 (as may be modified). A definitive contract regarding the specific services to be provided at the South Brunswick project has not yet been finalized and approved. See "*First Real Estate Investment Trust of New Jersey Notes to Consolidated Financial Statements - Note 8.*"

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. Hekemian owns approximately 0.2% of all of the issued and outstanding shares of Hekemian. Mr. Robert S. Hekemian, Jr, a Trustee of FREIT, is the President of Hekemian, and owns approximately 33.3% of all of the issued and outstanding shares of Hekemian.

Real Estate Financing

FREIT funds acquisition opportunities and the development of its real estate properties largely through debt financing, including mortgage loans against certain of its properties. At October 31, 2008, FREIT's aggregate outstanding mortgage debt was \$192.4 million with an average interest cost on a weighted average basis of 5.87%. FREIT has mortgage loans against certain properties, which serve as collateral for such loans. See the tables in "*Item 2 Properties - Portfolio of Investments*" for the outstanding mortgage balances at October 31, 2008 with respect to each of these properties.

FREIT is currently highly leveraged and will continue to be for the foreseeable future. This increased level of indebtedness also presents an increased risk of default on the obligations of FREIT and an increase in debt service requirements that could adversely affect the financial condition and results of operations of FREIT. A number of FREIT's mortgage loans are being amortized over a period that is longer than the terms of such loans; thereby requiring balloon payments at the expiration of the terms of such loans. FREIT has not established a cash reserve sinking fund with respect to such obligations and at this time does not expect to have sufficient funds from operations to make such balloon payments when due under the terms of such loans. See "*Liquidity and Capital Resources*" under *Item 7*.

FREIT is subject to the normal risks associated with debt financing, including the risk that FREIT's cash flow will be insufficient to meet required payments of principal and interest; the risk that indebtedness on its properties will not be able to be renewed, repaid or refinanced when due; or that the terms of any renewal or refinancing will not be as favorable as the terms of the indebtedness being replaced. If FREIT were unable to refinance its indebtedness on acceptable terms, or at all, FREIT might be forced to dispose of one or more of its properties on disadvantageous terms which might result in losses to FREIT. These losses could have a material adverse effect on FREIT and its ability to make distributions to shareholders and to pay amounts due on its debt. If a property is mortgaged to secure payment of indebtedness and FREIT is unable to meet mortgage payments, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, all with a consequent loss of revenues and asset value to FREIT. Further, payment obligations on FREIT's mortgage loans will not be reduced if there is a decline in the economic performance of any of FREIT's properties. If any such decline in economic performance occurs, FREIT's revenues, earnings, and funds available for distribution to shareholders would be adversely affected.

Neither FREIT's Declaration of Trust nor any policy statement formally adopted by FREIT's Board of Trustees limits either the total amount of indebtedness or the specified percentage of indebtedness (based on the total capitalization of FREIT), which may be incurred by FREIT. Accordingly, FREIT may incur in the future additional secured or unsecured indebtedness in furtherance of its business activities, including, if or when necessary, to refinance its existing debt. Future debt incurred by FREIT could bear interest at rates, which are higher than the rates on FREIT's existing debt. Future debt incurred by FREIT could also bear interest at a variable rate. Increases in interest rates would increase FREIT's variable interest costs (to the extent that the related indebtedness was not protected by interest rate protection arrangements), which could have a material adverse effect on FREIT and its ability to make distributions to shareholders and to pay amounts due on its debt or cause

FREIT to be in default under its debt. Further, in the future, FREIT may not be able to, or may determine that it is not able to, obtain financing for property acquisitions or for capital expenditures to develop or improve its properties on terms, which are acceptable to FREIT. In such event, FREIT might elect to defer certain projects unless alternative sources of capital were available, such as through an equity or debt offering by FREIT.

Competitive Conditions

FREIT is subject to normal competition with other investors to acquire real property and to profitably manage such property. Numerous other REITs, banks, insurance companies and pension funds, as well as corporate and individual developers and owners of real estate, compete with FREIT in seeking properties for acquisition and for tenants. Many of these competitors have significantly greater financial resources than FREIT.

In addition, retailers at FREIT's commercial properties face increasing competition from discount shopping centers, outlet malls, sales through catalogue offerings, discount shopping clubs, marketing and shopping through cable and computer sources, particularly over the internet, and telemarketing. In many markets, the trade areas of FREIT's commercial properties overlap with the trade areas of other shopping centers. Renovations and expansions at those competing shopping centers and malls could negatively affect FREIT's commercial properties by encouraging shoppers to make their purchases at such new, expanded or renovated shopping centers and malls. Increased competition through these various sources could adversely affect the viability of FREIT's tenants, and any new commercial real estate competition developed in the future could potentially have an adverse effect on the revenues of and earnings from FREIT's commercial properties.

(A) General Factors Affecting Investment in Commercial and Apartment Properties; Effect of Economic and Real Estate Conditions

The revenues and value of FREIT's commercial and residential apartment properties may be adversely affected by a number of factors, including, without limitation, the national economic climate; the regional economic climate (which may be adversely affected by plant closings, industry slow downs and other local business factors); local real estate conditions (such as an oversupply of retail space or apartment units); perceptions by retailers or shoppers of the security, safety, convenience and attractiveness of a shopping center; perception by residential tenants of the safety, convenience and attractiveness of an apartment building or complex; the proximity and the number of competing shopping centers and apartment complexes; the availability of recreational and other amenities and the willingness and ability of the owner to provide capable management and adequate maintenance. In addition, other factors may adversely affect the fair market value of a commercial property or apartment building or complex without necessarily affecting the revenues, including changes in government regulations (such as limitations on development or on hours of operation) changes in tax laws or rates, and potential environmental or other legal liabilities.

(B) Commercial Shopping Center Properties' Dependence on Anchor Stores and Satellite Tenants

FREIT believes that its revenues and earnings; its ability to meet its debt obligations; and its funds available for distribution to shareholders would be adversely affected if space in FREIT's multi-store shopping center properties could not be leased or if anchor store tenants or satellite tenants failed to meet their lease obligations.

The success of FREIT's investment in its shopping center properties is largely dependent upon the success of its tenants. Unfavorable economic, demographic, or competitive conditions may adversely affect the financial condition of tenants and consequently the lease revenues from and the value of FREIT's investments in its shopping center properties. If the sales of stores operating in FREIT's shopping center properties were to decline due to deteriorating economic conditions, the tenants may be unable to pay their base rents or meet other lease charges and fees due to FREIT. In addition, any lease provisions providing for additional rent based on a percentage of sales could be rendered moot. In the event of default by a tenant, FREIT could suffer a loss of rent and experience extraordinary delays while incurring additional costs in enforcing its rights under the lease, which may or may not be recaptured by FREIT. As at October 31, 2008 the following table lists the ten (10) largest commercial tenants, which account for approximately 51.1% of FREIT's leased commercial rental space and 37.0% of fixed commercial rents.

<i>Tenant</i>	<i>Center</i>	<i>Sq. Ft.</i>
Burlington Coat Factory	Westridge Square	85,992
Kmart Corporation	Westwood Plaza	84,254
Macy's Federated Department Stores, Inc.	Preakness	81,160
Pathmark Stores Inc.	Patchoque	63,932
Stop & Shop Supermarket Co.	Preakness	61,020
Giant Of Maryland Inc.	Westridge Square	55,330
Stop & Shop Supermarket Co.	Franklin Crossing	48,673
Safeway Stores Inc.	Damascus Center	45,189
Giant Food of Maryland	The Rotunda	35,994
TJ MAXX	Westwood Plaza	28,480

(C) Renewal of Leases and Reletting of Space

There is no assurance that we will be able to retain tenants at our commercial properties upon expiration of their leases. Upon expiration or termination of leases for space located in FREIT's commercial properties, the premises may not be relet or the terms of reletting (including the cost of concessions to tenants) may not be as favorable as lease terms for the terminated lease. If FREIT were unable to promptly relet all or a substantial portion of this space or if the rental rates upon such reletting were significantly lower than current or expected rates, FREIT's revenues and earnings, FREIT's ability to service its debt, and FREIT's ability to make expected distributions to its shareholders, could be adversely affected. During Fiscal 2008 and Fiscal 2007 there were no material lease expirations, and there are no material lease expirations expected during Fiscal 2009.

(D) Illiquidity of Real Estate Investments; Possibility that Value of FREIT's Interests may be less than its Investment

Equity real estate investments are relatively illiquid. Accordingly, the ability of FREIT to vary its portfolio in response to changing economic, market or other conditions is limited. Also, FREIT's interests in its partially owned subsidiaries are subject to transfer constraints imposed by the operating agreements which govern FREIT's investment in these partially owned subsidiaries. Even without such restrictions on the transfer of its interests, FREIT believes that there would be a limited market for its interests in these partially owned subsidiaries.

If FREIT had to liquidate all or substantially all of its real estate holdings, the value of such assets would likely be diminished if a sale was required to be completed in a limited time frame. The proceeds to FREIT from any such sale of the assets in FREIT's real estate portfolio might be less than the fair market value of those assets.

Impact of Governmental Laws and Regulations on Registrant's Business

FREIT's properties are subject to various federal, state and local laws, ordinances and regulations, including those relating to the environment and local rent control and zoning ordinances.

(A) Environmental Matters

Both federal and state governments are concerned with the impact of real estate construction and development programs upon the environment. Environmental legislation affects the cost of selling real estate, the cost to develop real estate, and the risks associated with purchasing real estate.

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property, as well as certain other potential costs relating to hazardous or toxic substances (including government fines and penalties and damages for injuries to persons and adjacent property). Such laws often impose such liability without regard to whether the owners knew of, or were responsible for, the presence or disposal of such substances. Such liability may be imposed on the owner in connection with the activities of any operator of, or tenant at the property. The cost of any required remediation, removal, fines or personal or property damages and the owner's liability therefore could exceed the value of the property and/or the aggregate assets of the owner. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. If FREIT incurred any such liability, it could reduce FREIT's revenues and ability to make distributions to its shareholders.

A property can also be negatively impacted by either physical contamination or by virtue of an adverse effect upon value attributable to the migration of hazardous or toxic substances, or other contaminants that have or may have emanated from other properties.

At this time, FREIT is aware of the following environmental matters affecting its properties:

(i) Westwood Plaza Shopping Center, Westwood, NJ

This property is in a HUD Flood Hazard Zone and serves as a local flood retention basin for part of Westwood, New Jersey. FREIT maintains flood insurance in the amount of \$500,000 for the subject property, which is the maximum available under the HUD Flood Program for the property. Any reconstruction of that portion of the property situated in the flood hazard zone is subject to regulations promulgated by the New Jersey Department of Environmental Protection ("NJDEP"), which could require extraordinary construction methods.

(ii) Franklin Crossing, Franklin Lakes, NJ

The redeveloped Franklin Crossing shopping center was completed during the summer of 1997. Also in 1997, a historical discharge of hazardous materials was discovered at Franklin Crossing. The discharge was reported to the NJDEP in accordance with applicable regulations. FREIT completed the remediation required by the NJDEP.

In November 1999, FREIT received a No Further Action Letter from the NJDEP concerning the contaminated soil at Franklin Crossing. Monitoring of the groundwater will continue pursuant to a memorandum of agreement filed with the NJDEP.

(iii) Preakness Shopping Center, Wayne, NJ

Prior to its purchase by WaynePSC, a Phase I and Phase II Environmental Assessment of the Preakness shopping center revealed soil and ground water contamination with Perchloroethylene (Dry Cleaning Fluid) caused by the mishandling of this chemical by a former Dry Cleaner tenant.

The seller of the center to WaynePSC is in the process of performing the remedial work in accordance with the requirements of the NJDEP. Additionally, the seller has escrowed the estimated cost of the remediation and has purchased a cap-cost insurance policy covering any expenses over and above the estimated cost.

In performing the remedial work, possible contamination of this property by groundwater migrating from an offsite source was discovered. The NJDEP has not made any determination with respect to responsibility for remediation of this possible condition, and it is not possible to determine whether or to what extent Wayne PSC will have potential liability with respect to this condition or whether or to what extent insurance coverage may be available.

(iv) Other

a) The State of New Jersey has adopted an underground fuel storage tank law and various regulations with respect to underground storage tanks.

FREIT no longer has underground storage tanks on any of its properties.

FREIT has conducted environmental audits for all of its properties except for its undeveloped land; retail properties in Franklin Lakes (Franklin Crossing) and Glen Rock, New Jersey; and residential apartment properties located in Palisades Park and Hasbrouck Heights, New Jersey. Except as noted in subparagraph (iii) above, the environmental reports secured by FREIT have not revealed any environmental conditions on its properties, which require remediation pursuant to any applicable Federal or state law or regulation.

b) FREIT has determined that several of its properties contain lead based paint ("LBP"). FREIT complies with all Federal, state and local requirements as they pertain to LBP.

FREIT does not believe that the environmental conditions described in subparagraphs (i) - (iv) above will have a materially adverse effect upon the capital expenditures, revenues, earnings, financial condition or competitive position of FREIT.

(B) Rent Control Ordinances

Each of the apartment buildings or complexes owned by FREIT is subject to some form of rent control ordinance which limits the amount by which FREIT can increase the rent for renewed leases, and in some cases, limits the amount of rent which FREIT can charge for vacated units, except for Westwood Hills and The Boulders at Rockaway which are not subject to any rent control law or regulation.

(C) Zoning Ordinances

Local zoning ordinances may prevent FREIT from renovating, expanding or converting its existing properties, for their highest and best use as determined by FREIT's Board of Trustees. The Board of Trustees is not aware of any such zoning impediments to the development of the South Brunswick property described herein.

(D) Financial Information about Foreign and Domestic Operations and Export Sale

FREIT does not engage in operations in foreign countries and it does not derive any portion of its revenues from customers in foreign countries.

ITEM 1 A RISK FACTORS

Almost all of FREIT's income and cash flow is derived from the net rental income (revenues after expenses) from our properties. FREIT's business and financial results are affected by the following fundamental factors:

- the national and regional economic climate;
- occupancy rates at the properties;
- tenant turnover rates;
- rental rates;
- operating expenses;
- tenant improvement and leasing costs;
- cost of and availability of capital;
- failure of banking institutions;
- failure of insurance carriers;
- new acquisitions and development projects; and
- changes in governmental regulations, real estate tax rates and similar matters.

A negative or adverse quality change in the above factors could potentially cause a detrimental effect on FREIT's revenue, earnings and cash flow. If rental revenues decline, we would expect to have less cash available to pay our indebtedness and distribute to our shareholders.

Adverse Changes in General Economic Climate: FREIT derives the majority of its revenues from renting apartments to individuals or families, and from retailers renting space at its shopping centers. An adverse decline in general economic conditions, particularly in New Jersey and Maryland, where a majority of our properties are located, may cause reductions in rental revenues. A decline in general economic conditions may cause apartment tenants to double-up or vacate, causing increases in vacancies, or to resist rent increases. Additionally, a general decline in economic conditions may cause a lack of consumer confidence, resulting in lower levels of consumer spending that could adversely affect the financial condition of some of our retail tenants, resulting in their inability to pay rent and/or expense recovery charges (represents recovery of certain common area maintenance charges, including insurance and real estate taxes). These retail tenants may vacate or fail to exercise renewal options for their space.

Tenants unable to pay rent: Financially distressed tenants may be unable to pay rents and expense recovery charges, where applicable, and may default on their leases. Enforcing our rights as landlord could result in substantial costs and may not result in a full recovery of unpaid rent. If a tenant files for bankruptcy, the tenant's lease may be terminated. In each such instance FREIT's income and cash flow would be negatively impacted.

Costs of re-renting space: If tenants fail to renew leases, fail to exercise renewal options, or terminate their leases early, the lost rents due to vacancy and the costs of re-renting the space could prove costly to FREIT. In addition to cleaning and renovating the vacated space, we may be required to grant concessions to a new tenant, and may incur leasing brokerage commissions. The lease terms to a new tenant may be less favorable than the prior tenant's lease terms, and will negatively impact FREIT's income and cash flow and adversely affect our ability to pay mortgage debt and interest or make distributions to our shareholders.

Inflation may adversely affect our financial condition and results of operations: Increased inflation could have a pronounced negative impact on our operating and administrative expenses, as these costs may increase at a higher rate than our rents. While increases in most operating expenses at our commercial properties can be passed on to retail tenants, increases in expenses at our residential properties cannot be passed on to residential tenants. Unreimbursed increased operating expenses may reduce cash flow available for payment of mortgage debt and interest, and for distributions to shareholders.

Development and construction risks: As part of its investment strategy, FREIT seeks to acquire property for development and construction, as well as to develop and build on land already in its portfolio. FREIT is currently renovating its shopping center located in Damascus, Maryland, and is planning a major development at its Rotunda property in Baltimore, Maryland. In addition it is contemplating the construction of an industrial building on its South Brunswick, New Jersey property. Development and construction activities are challenged with the following risks, which may adversely affect our cash flow:

- financing may not be available in the amounts we seek, or may not be on favorable terms;
- long-term financing may not be available upon completion of the construction; and
- failure to complete construction on schedule or within budget may increase debt service costs and construction costs.

Debt financing could adversely affect income and cash flow: FREIT relies on debt financing to fund its growth through acquisitions and development activities. To the extent third party debt financing is not available, or not available on favorable terms, acquisitions and development activities will be curtailed.

FREIT currently has approximately \$164.8 million of non-recourse mortgage debt subject to fixed interest rates, and \$27.6 million of partial recourse mortgage debt subject to variable interest rates (\$22.5 million relates to the acquisition of the Rotunda property, and \$5.1 million relates to the Damascus redevelopment project). These mortgages are being repaid over periods (amortization schedules) that are longer than the terms of the mortgages. Accordingly, when the mortgages become due (at various times) significant balloon payments (the unpaid principal amounts) will be required. FREIT expects to refinance the individual mortgages with new mortgages when their terms expire. To this extent we have exposure to capital availability and 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 the mortgage debt being retired. Our \$22.5 million Rotunda acquisition loan matures on July 19, 2009. FREIT is exploring the extension of the loan's maturity date or replacement of the loan.

To the extent we are unable to refinance our indebtedness on acceptable terms, we may need to dispose of one or more of our properties upon disadvantageous terms.

Our revolving \$18 million credit line (of which \$17.6 million is available as of October 31, 2008) and our acquisition mortgage loan contain financial covenants that could restrict our acquisition activities and result in a default on these loans if we fail to satisfy these covenants.

Failure of banking and financing institutions: Banking and financing institutions such as insurance companies provide FREIT with credit lines and construction financing. The credit lines available to FREIT may be used for a variety of business purposes, including general corporate purposes, acquisitions, construction, letters of credit, etc. Construction financing enables FREIT to develop new properties, or renovate or expand existing properties. A failure of the banking institution making credit lines available may render the line unavailable and adversely affect FREIT's liquidity, and negatively impact our operations in a number of ways. A failure of a financial institution unable to fund its construction financing obligations to FREIT may cause the construction to halt or be delayed. Substitute financing may be significantly more expensive, and construction delays may subject FREIT to delivery penalties.

FREIT has cash and cash equivalents deposited in certain banking institutions that exceed federally insured limits (currently \$250,000 per depositor, per insured bank, which amount is scheduled to be reduced to \$100,000 after December 2009). A failure of any banking institution in which we have funds on deposit may result in a loss of our deposits of amounts in excess of the then federally insured limit. The loss of such deposits would reduce cash available to fund operations and pay dividends.

Failure of insurance carriers: FREIT's properties are insured against unforeseen liability claims, property damages, and other hazards. The insurance companies FREIT uses have good ratings at the time the policies are put into effect. Financial failure of our carriers may result in their inability to pay current and future claims. This inability to pay claims may have an adverse impact on FREIT's financial condition. In addition, a failure of FREIT's insurance carrier may cause FREIT's insurance renewal or replacement policy costs to increase.

Real estate is a competitive business: FREIT is subject to normal competition with other investors to acquire real property and to profitably manage such property. Numerous other REITs, banks, insurance companies and pension funds, as well as corporate and individual developers and owners of real estate, compete with FREIT in seeking properties for acquisition and for tenants. Many of these competitors have significantly greater financial resources than FREIT. In addition, retailers at FREIT's commercial properties face increasing competition from discount shopping centers, outlet malls, sales through catalogue offerings, discount shopping clubs, marketing and shopping through cable and computer sources, particularly over the internet, and telemarketing. In many markets, the trade areas of FREIT's commercial properties overlap with the trade areas of other shopping centers. Renovations and expansions at those competing shopping centers and malls could negatively affect FREIT's commercial properties by encouraging shoppers to make their purchases at such new, expanded or renovated shopping centers and malls. Increased competition through these various sources could adversely affect the viability of FREIT's tenants, and any new commercial real estate competition developed in the future could potentially have an adverse effect on the revenues of and earnings from FREIT's commercial properties.

Illiquidity of real estate investment: Real estate investments are relatively difficult to buy and sell quickly. Accordingly, the ability of FREIT to vary its portfolio in response to changing economic, market or other conditions is limited. Also, FREIT's interests in its partially owned subsidiaries are subject to transfer constraints by the operating agreements, which govern FREIT's investment in these partially owned subsidiaries.

Environmental problems may be costly: Both federal and state governments are concerned with the impact of real estate construction and development programs upon the environment. Environmental legislation affects the cost of selling real estate, the cost to develop real estate, and the risks associated with purchasing real estate.

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such

property, as well as certain other potential costs relating to hazardous or toxic substances (including government fines and penalties and damages for injuries to persons and adjacent property). Such laws often impose such liability without regard to whether the owners knew of, or were responsible for, the presence or disposal of such substances. Such liability may be imposed on the owner in connection with the activities of any operator of, or tenant at the property. The cost of any required remediation, removal, fines or personal or property damages and the owner's liability therefore could exceed the value of the property and/or the aggregate assets of the owner. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. If FREIT incurred any such liability, it could reduce FREIT's revenues and ability to make distributions to its shareholders.

A property can also be negatively impacted by either physical contamination or by virtue of an adverse effect upon value attributable to the migration of hazardous or toxic substances, or other contaminants that have or may have emanated from other properties.

Qualification as a REIT: Since its inception in 1961, FREIT has elected, and will continue to operate so as to qualify as a REIT for federal income tax purposes. In order to qualify as a REIT, we must satisfy a number of highly technical and complex provisions of the Internal Revenue Code. Governmental legislation, new regulations, and administrative interpretations may significantly change the tax laws with respect to the requirements for qualification as a REIT, or the federal income tax consequences of qualifying as a REIT. Although FREIT intends to continue to operate in a manner to allow it to qualify as a REIT, future economic, market, legal, tax or other considerations may cause it to revoke the REIT election or fail to qualify as a REIT. Such a revocation would subject FREIT's income to federal income tax at regular corporate rates, and failure to qualify as a REIT would also eliminate the requirement that we pay dividends to our shareholders.

Change of investment and operating policies: FREIT's investment and operating policies, including indebtedness and dividends, are exclusively determined by FREIT's Board of Trustees, and not subject to shareholder approval.

ITEM 1 B UNRESOLVED STAFF COMMENTS

None.

ITEM 2 PROPERTIES

Portfolio of Investments: The following tables set forth certain information relating to each of FREIT's real estate investments in addition to the specific mortgages encumbering the properties.

Residential Apartment Properties as of October 31, 2008:

<i>Property & Location</i>	<i>Year Acquired</i>	<i>No. of Units</i>	<i>Average Annual Occupancy Rate @ 10/31/08</i>	<i>Average Monthly Rent per Unit @ 10/31/08</i>	<i>Average Monthly Rent per Unit @ 10/31/07</i>	<i>Mortgage Balance (\$000)</i>	<i>Depreciated Cost of Buildings & Equipment (\$000)</i>
Palisades Manor Palisades Park, NJ	1962	12	98.1%	\$1,070	\$1,038	None (1)	\$36
Grandview Apts. Hasbrouck Heights, NJ	1964	20	99.6%	\$1,147	\$1,101	None (1)	\$125
Berdan Court Wayne, NJ	1965	176	96.5%	\$1,412	\$1,357	\$12,576	\$1,386
Heights Manor Spring Lake Heights, NJ	1971	79	92.7%	\$1,119	\$1,078	\$3,159	\$496
Hammel Gardens Maywood, NJ	1972	80	97.3%	\$1,192	\$1,161	\$4,594	\$704
Steuben Arms River Edge, NJ	1975	100	97.2%	\$1,259	\$1,222	\$6,372	\$1,322
Westwood Hills (2) Westwood Hills, NJ	1994	210	95.6%	\$1,429	\$1,387	\$16,210	\$12,067
Pierre Towers (3) Hackensack, NJ	2004	269	91.6%	\$1,791	\$1,723	\$34,125	\$43,885
Boulders (4) Rockaway, NJ	2006	129	95.2%	\$1,771	\$1,699	\$20,190	\$20,029

(1) Security for draws against FREIT's Credit Line.

(2) FREIT owns a 40% equity interest in Westwood Hills. See Investment in Subsidiaries.

(3) Pierre Towers is 100% owned by S And A Commercial Associates LP, which is 65% owned by FREIT.

(4) Construction completed in August 2006 on land acquired in 1963 / 1964.

Commercial Properties as of October 31, 2008:

<i>Property & Location</i>	<i>Year Acquired</i>	<i>Leasable Space- Approximate Sq.Ft.</i>	<i>Average Annual Occupancy Rate @ 10/31/08</i>	<i>Average Annualized Rent per Sq. Ft. @ 10/31/08</i>	<i>Average Annualized Rent per Sq. Ft. @ 10/31/07</i>	<i>Mortgage Balance (\$000)</i>	<i>Depreciated Cost of Buildings & Equipment (\$000)</i>
Glen Rock, NJ	1962	4,800	100.0%	\$20.48	\$20.48	None (1)	\$121
Franklin Crossing Franklin Lakes, NJ	1966 (2)	87,041	92.1%	\$23.64	\$22.12	None (1)	\$8,667
Westwood Plaza Westwood, NJ	1988	173,854	100.0%	\$12.91	\$12.84	\$9,021	\$10,231
Westridge Square (3) Frederick, MD	1992	256,620	92.0%	\$12.45	\$12.08	\$22,000	\$19,994
Pathmark Super Store Patchogue, NY	1997	63,962	100.0%	\$19.99	\$19.12	\$5,953 (7)	\$8,495
Preakness Center (4) Wayne, NJ	2002	322,136	97.7%	\$12.79	\$12.40	\$30,571	\$30,941
Damascus Center (5) Damascus, MD	2003	139,878	47.7%	\$10.57	\$9.81	\$5,081 (8)	\$17,666
The Rotunda (6) Baltimore, MD	2005	216,645	90.4%	\$18.20	\$18.08	\$22,500	\$37,189
Rockaway, NJ	1964/1963	1 Acre Landlease	100.0%	N/A	N/A	None	\$169
Rochelle Park, NJ	2007	1 Acre Landlease	N/A	N/A	N/A	None	\$2,509

(1) Security for draws against FREIT's Credit Line.

(2) The original 33,000 sq. ft. shopping center was replaced with a new 87,041 sq. ft. center that opened in October 1997.

(3) FREIT owns a 100% interest in WestFREIT Corp, that owns the center.

(4) FREIT owns a 40% equity interest in WaynePSC, that owns the center.

(5) FREIT owns a 70% equity interest in Damascus Centre, LLC, that owns the center. Undergoing a renovation and expansion project.

(6) FREIT owns a 60% equity interest in Grande Rotunda, LLC, that owns the center.

(7) On February 29, 2008, unpaid principal amount of \$5.9 million was refinanced with a \$6 million mortgage loan bearing fixed interest rate of 6.125%, with a 10 year term.

(8) On February 12, 2008, Damascus Centre, LLC closed on a \$27.3 million construction loan, of which \$5.1 million was drawn down at 10/31/08.

Supplemental Segment Information:

Commercial lease expirations at October 31, 2008 assuming none of the tenants exercise renewal options:					
<i>Year Ending October 31,</i>	<i>Number of Expiring Leases</i>	<i>Expiring Leases Sq. Ft.</i>	<i>Percent of Commercial Sq. Ft.</i>	<i>Annual Rent of Expiring Leases</i>	
				<i>Total</i>	<i>Per Sq. Ft.</i>
Month to month	4	2,070	0.2%	\$ 56,010	\$ 27.06
2009	8	24,182	2.3%	\$ 460,910	\$ 19.06
2010	13	73,675	6.9%	\$ 963,906	\$ 13.08
2011	13	50,500	4.8%	\$ 1,137,792	\$ 22.53
2012	15	117,908	11.1%	\$ 1,333,156	\$ 11.31
2013	18	72,715	6.8%	\$ 1,561,536	\$ 21.47
2014	8	26,219	2.5%	\$ 483,008	\$ 18.42
2015	7	42,402	4.0%	\$ 594,308	\$ 14.02
2016	5	26,856	2.5%	\$ 365,784	\$ 13.62
2017	8	36,368	3.4%	\$ 698,539	\$ 19.21
2018	13	39,708	3.7%	\$ 935,698	\$ 23.56

Land Under Development and Vacant Land as of October 31, 2008:

<i>Vacant Land Location (1)</i>	<i>Acquired</i>	<i>Current Use</i>	<i>Permitted Use Per Local Zoning Laws</i>	<i>Acreage Per Parcel</i>
Franklin Lakes, NJ	1966	None	Residential	4.27
Wayne, NJ	2002	None	Commercial	2.1
Rockaway, NJ	1964	None	Residential	1.0
So. Brunswick, NJ (2)	1964	Principally leased as farmland qualifying for state farmland assessment tax treatment	Industrial	33.0

(1) All of the above land is unencumbered, except as noted.

(2) Site plan approval received for the construction of a 563,000 square foot industrial building.

FREIT believes that it has a diversified portfolio of residential and commercial properties. FREIT's business is not materially dependent upon any single tenant or any one of its properties.

The following table lists FREIT's properties that have contributed approximately 15% of FREIT's total revenue in one (1) or more of the last three (3) fiscal years.

	Fiscal Year Ended October 31,		
	2008	2007	2006
Preakness Center	14.1%	14.4%	14.8%
Pierre Towers	14.1%	14.4%	14.9%

Although FREIT's general investment policy is to hold properties as long-term investments, FREIT could selectively sell certain properties if it determines that any such sale is in FREIT's and its shareholders' best interests. With respect to FREIT's future acquisition and development activities, FREIT will evaluate various real estate opportunities, which FREIT believes would increase FREIT's revenues and earnings, as well as compliment and increase the overall value of FREIT's existing investment portfolio.

Except for the Pathmark supermarket super store located in Patchogue, Long Island, the Commerce Bank branch located in Rockaway, NJ and the Pascack Community Bank branch to be constructed on our land in Rochelle Park, NJ, all of FREIT's and its subsidiaries' commercial properties have multiple tenants.

FREIT and its subsidiaries' commercial properties have eighteen (18) anchor / major tenants, that account for approximately 64% of the space leased. The balance of the space is leased to one hundred and seventy six (176) satellite and office tenants. The following table lists the anchor / major tenants at each center and the number of satellite tenants:

<i>Commercial Property</i>	<i>Net Leaseable Space</i>	<i>Anchor/Major Tenants</i>	<i>No. Of Satellite Tenants</i>
Westridge Square Shopping Center (SC) Frederick, MD	256,620 (SC)	Giant Supermarket Burlington Coat Factory	25
Franklin Crossing Office Building (O) Franklin, Lakes, NJ	87,041 (SC)	Stop & Shop	18
Westwood Plaza Westwood, NJ	173,854 (SC)	Kmart Corp TJMaxx	19
Preakness Center (1) Wayne, NJ	322,136 (SC)	Stop & Shop Macy's CVS Annie Sez Clearview Theaters	40
Damascus Center (2) Damascus, MD	139,878 (SC)	Safeway Stores	10
The Rotunda (3) Baltimore, MD	138,276 (O)	Clear Channel Broadcasting US Social Security Office Janus Associates	56
Patchogue, NY	78,369 (SC)	Giant Food of Maryland Rite Aid Corporation Bank of America	8
	63,962 (SC)	Pathmark	-

(1) FREIT has a 40% interest in this property.

(2) FREIT has a 70% interest in this property.

(3) FREIT has a 60% interest in this property.

With respect to most of FREIT's commercial properties, lease terms range from five (5) years to twenty-five (25) years with options, which if exercised would extend the terms of such leases. The lease agreements generally provide for reimbursement of real estate taxes, maintenance, insurance and certain other operating expenses of the properties. During the last three (3) completed fiscal years, FREIT's commercial properties averaged a 90.1% occupancy rate with respect to FREIT's available leasable space.

Leases for FREIT's apartment buildings and complexes are usually one (1) year in duration. Even though the residential units are leased on a short-term basis, FREIT has averaged, during the last three (3) completed fiscal years, a 95.1% occupancy rate with respect to FREIT's available apartment units.

FREIT does not believe that any seasonal factors materially affect FREIT's business operations and the leasing of its commercial and apartment properties.

FREIT believes that its properties are covered by adequate fire and property insurance provided by reputable companies and with commercially reasonable deductibles and limits.

ITEM 3 LEGAL PROCEEDINGS

There are no material pending legal proceedings to which FREIT is a party, or of which any of its properties is the subject. There is, however, ordinary and routine litigation involving FREIT's business including various tenancy and related matters. Notwithstanding the environmental conditions disclosed in "Item 1(c) Narrative Description of Business - Impact of Governmental Laws and Regulations on Registrant's Business; Environmental Matters," there are no legal proceedings concerning environmental issues with respect to any property owned by FREIT.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of FREIT's 2008 fiscal year.

PART II

ITEM 5 MARKET FOR FREIT'S COMMON EQUITY, RELATED SECURITY HOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shares of Beneficial Interest

Beneficial interests in FREIT are represented by shares without par value (the "Shares"). The Shares represent FREIT's only authorized, issued and outstanding class of equity. As of January 13, 2009, there were approximately 500 holders of record of the Shares.

The Shares are traded in the over-the-counter market through use of the OTC Bulletin Board Service (the "OTC Bulletin Board") provided by FINRA, Inc. FREIT does not believe that an active United States public trading market exists for the Shares since historically only small volumes of the Shares are traded on a sporadic basis. The following table sets forth, at the end of the periods indicated, the Bid and Asked quotations for the Shares on the OTC Bulletin Board.

	<u>Bid</u>	<u>Asked</u>
<u>Fiscal Year Ended October 31, 2008</u>		
First Quarter	\$ 21.60	\$ 21.60
Second Quarter	\$ 22.00	\$ 22.05
Third Quarter	\$ 23.50	\$ 23.50
Fourth Quarter	\$ 18.60	\$ 21.00
	<u>Bid</u>	<u>Asked</u>
<u>Fiscal Year Ended October 31, 2007</u>		
First Quarter	\$ 23.35	\$ 25.00
Second Quarter	\$ 25.00	\$ 25.00
Third Quarter	\$ 25.75	\$ 26.50
Fourth Quarter	\$ 22.30	\$ 22.75

The bid quotations set forth above for the Shares reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions. The source of the bid and asked quotations is Janney Montgomery Scott, LLC., members of the New York Stock Exchange and other national securities exchanges.

Share Repurchase Program

Information regarding FREIT's share repurchase program under Rules 10b-18 and 10b5-1 of the Securities Exchange Act of 1934, as amended, for the three (3) months ended October 31, 2008 is as follows:

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

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Program	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
August 1, 2008 through August 31, 2008	-	-	-	\$ 1,880,000
September 1, 2008 through September 30, 2008	35,720	\$ 22.92	35,720	\$ 1,061,455
October 1, 2008 through October 31, 2008	6,000	\$ 22.70	6,000	\$ 925,255
Total	41,720	\$ 23.00	41,720	\$ 925,255

- (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 provides for the repurchase of FREIT shares on or before March 31, 2009.
- (2) Share repurchases under this program may be made from time to time in the open market or in privately negotiated transactions, depending on the price of FREIT shares and other market conditions. This share repurchase program may be limited or terminated at any time and without prior notice.
- (3) Rule 10b5-1 permits the implementation of a written plan for repurchasing shares of company stock 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 repurchases to be effected through FREIT's repurchasing agent, Hill, Thompson, Magid & Co., Inc., pursuant to the terms and conditions set forth in the share repurchase plan, which has been established in accordance with applicable regulations.
- (4) As of October 31, 2008, FREIT repurchased 46,720 shares at a cost of \$1,075,000, which is reflected in the Shareholders' Equity section of FREIT's balance sheet.

Dividends

The holders of Shares are entitled to receive distributions as may be declared by FREIT's Board of Trustees. Dividends may be declared from time to time by the Board of Trustees and may be paid in cash, property, or Shares. The Board of Trustees' present policy is to distribute annually at least ninety percent (90%) of FREIT's REIT taxable income as dividends to the holders of Shares in order to qualify as a REIT for Federal income tax purposes. Distributions are made on a quarterly basis. In Fiscal 2008 and Fiscal 2007, FREIT paid or declared aggregate total dividends of \$1.20 and \$1.30 per share, respectively, to the holders of shares. See "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Distributions to Shareholders."

Securities Authorized for Issuance Under Equity Compensation Plans

Refer to "Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

ITEM 6 SELECTED FINANCIAL DATA

The selected consolidated financial data for FREIT for each of the five (5) fiscal years in the period ended October 31, 2008 are derived from financial statements herein or previously filed financial statements. This data should be read in conjunction with "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report and with FREIT's consolidated financial statements and related notes included in this Annual Report.

BALANCE SHEET DATA:

As At October 31,	2008	2007	2006	2005	2004
	(In thousands of dollars)				
Total Assets	\$ 241,756	\$ 242,755	\$ 234,786	\$ 214,998	\$ 190,575
Mortgage Loans	\$ 192,352	\$ 189,389	\$ 180,679	\$ 166,874	\$ 148,244
Shareholders' Equity	\$ 23,561	\$ 25,130	\$ 24,972	\$ 26,115	\$ 28,671
Weighted average shares outstanding:					
Basic	<u>6,835</u>	<u>6,753</u>	<u>6,574</u>	<u>6,440</u>	<u>6,378</u>
Diluted	<u>6,835</u>	<u>6,916</u>	<u>6,816</u>	<u>6,774</u>	<u>6,658</u>

INCOME STATEMENT DATA:

Year Ended October 31,	2008	2007	2006	2005	2004
	(In thousands of dollars, except per share amounts)				
Revenue:					
Revenue from real estate operations	\$ 42,340	\$ 40,738	\$ 37,893	\$ 33,268	\$ 29,952
Expenses:					
Real estate operations	16,996	16,673	15,658	13,414	11,235
General and administrative expenses	1,542	1,543	1,212	1,001	689
Depreciation	<u>5,622</u>	<u>5,311</u>	<u>4,726</u>	<u>4,252</u>	<u>3,663</u>
Totals	<u>24,160</u>	<u>23,527</u>	<u>21,596</u>	<u>18,667</u>	<u>15,587</u>
Operating income	18,180	17,211	16,297	14,601	14,365
Investment income	554	634	232	229	183
Interest expense including amortization of deferred financing costs	(11,557)	(11,897)	(11,127)	(10,039)	(9,046)
Minority interest	<u>(1,138)</u>	<u>(776)</u>	<u>(407)</u>	<u>(426)</u>	<u>(555)</u>
Income from continuing operations	6,039	5,172	4,995	4,365	4,947
Discontinued operations:					
Income from discontinued operations, net of Minority Interests *	-	<u>3,771</u>	<u>163</u>	<u>129</u>	<u>10,124</u>
Net income	<u>\$ 6,039</u>	<u>\$ 8,943</u>	<u>\$ 5,158</u>	<u>\$ 4,494</u>	<u>\$ 15,071</u>

* Includes gain on disposal of \$3,680 and \$12,681 in fiscal years 2007 and 2004 respectively.

Basic earnings per share:					
Continuing operations	\$ 0.88	\$ 0.76	\$ 0.76	\$ 0.68	\$ 0.77
Discontinued operations	-	<u>0.56</u>	<u>0.02</u>	<u>0.02</u>	<u>1.59</u>
Net income	<u>\$ 0.88</u>	<u>\$ 1.32</u>	<u>\$ 0.78</u>	<u>\$ 0.70</u>	<u>\$ 2.36</u>
Diluted earnings per share:					
Continuing operations	\$ 0.88	\$ 0.74	\$ 0.73	\$ 0.64	\$ 0.74
Discontinued operations	-	<u>0.55</u>	<u>0.03</u>	<u>0.02</u>	<u>1.53</u>
Net income	<u>\$ 0.88</u>	<u>\$ 1.29</u>	<u>\$ 0.76</u>	<u>\$ 0.66</u>	<u>\$ 2.27</u>
Cash Dividends Declared Per Common Share	<u>\$ 1.20</u>	<u>\$ 1.30</u>	<u>\$ 1.25</u>	<u>\$ 1.20</u>	<u>\$ 1.10</u>

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 consolidated financial statements of FREIT (including related notes thereto) appearing elsewhere in this 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 current extraordinary and unprecedented bank liquidity and credit market crisis has exacerbated an already weakened economic climate resulting in a deep U.S. and worldwide recession. Continued concern about energy costs, inflation, 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, until at least mid 2009, and possibly longer.

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, we are beginning to experience resistance to rent increases, granting concessions, a higher number of move-outs and higher than usual incidences of late or defaulted monthly rental payments. We expect this trend to continue through 2009 and result in residential revenues to be flat or slightly lower than during fiscal 2008.

Commercial Properties: Because of reduced consumer spending resulting in lower profitability, commercial tenants, large and small, are requesting rent reductions, or lower renewal option rents. To date we have experienced little fall-out. However, we expect to see a fall out of some smaller tenants, and if the recession is prolonged, some larger tenants. We expect re-leasing vacated space to take longer and, generally, at lower rents that reflect current economic conditions. Again, we expect revenues at our commercial properties to be flat or slightly lower during fiscal 2009 than during fiscal 2008.

Development Projects and Capital Expenditures: We plan to significantly reduce 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 elected to postpone its development activities at its Rotunda Project.

FREIT's one refinancing requirement coming due during fiscal 2009, is its \$22.5 million acquisition loan at its Rotunda project. FREIT is exploring the extension of the loan's maturity date or replacement of the 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. Additionally, FREIT has embarked on an extraordinary program to reduce operating expenses across the board to increase cash flow. Because of the current economic crisis, FREIT's Board of Trustees elected to reduce fiscal 2008 dividends to \$1.20 per share from \$1.30 per share payable for fiscal 2007. Additionally, it is FREIT's intention to maintain its quarterly dividend at \$.30 per share until the economic climate indicates a change is appropriate.

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 which is presented elsewhere in this Form 10-K, have been applied consistently as at October 31, 2008 and 2007, and for the years ended October 31, 2008, 2007 and 2006. 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.

In October 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires the reporting of discontinued operations to include components of an entity that have either been disposed of or are classified as held for sale. FREIT has adopted SFAS No. 144. During 2007, FREIT sold its Lakewood, NJ property. FREIT has reclassified the net income (loss) from the operation of this property as Discontinued Operations for all periods presented. The adoption of SFAS No. 144 did not have an impact on net income, but only impacted the presentation of this property within the consolidated statements of income. The results of this reclassification can be seen in "Item 6 Selected Financial Data" above and in the Consolidated Financial Statements of FREIT (including related notes thereto) appearing elsewhere in this Form 10-K.

Since we consider net income from continuing operations to be the most significant element of net income, all references and comparisons refer to this item unless otherwise stated. All references to per share amounts are on a diluted basis (unless otherwise indicated), and refer to earnings per share from continuing operations and have been adjusted to reflect the one-for-one share dividends paid in October 2001 and March 2004.

Results of Operations:

Fiscal Years Ended October 31, 2008 and 2007

Summary revenues and net income for the fiscal years ended October 31, 2008 (“Fiscal 2008”) and October 31, 2007 (“Fiscal 2007”) are as follows:

	Year Ended October 31,		
	2008	2007	Change
	(in thousands, except per share amounts)		
Real estate revenues:			
Commercial properties	\$ 23,149	\$ 22,112	\$ 1,037
Residential properties	19,191	18,626	565
Total real estate revenues	<u>42,340</u>	<u>40,738</u>	<u>1,602</u>
Operating expenses:			
Real estate operations	16,996	16,673	323
General and administrative	1,542	1,543	(1)
Depreciation	5,622	5,311	311
Total operating expenses	<u>24,160</u>	<u>23,527</u>	<u>633</u>
Operating income	<u>18,180</u>	<u>17,211</u>	<u>969</u>
Investment income	554	634	(80)
Financing costs	(11,557)	(11,897)	340
Minority interest in earnings of subsidiaries	(1,138)	(626)	(512)
Distribution to certain minority interests	-	(150)	150
Income from continuing operations	<u>6,039</u>	<u>5,172</u>	<u>867</u>
Income from discontinued operations	<u>-</u>	<u>3,771</u>	<u>(3,771)</u>
Net income	<u>\$ 6,039</u>	<u>\$ 8,943</u>	<u>\$ (2,904)</u>
Basic earnings per share:			
Continuing operations	\$ 0.88	\$ 0.76	\$ 0.12
Discontinued operations	\$ -	\$ 0.56	\$ (0.56)
Net income	<u>\$ 0.88</u>	<u>\$ 1.32</u>	<u>\$ (0.44)</u>
Diluted earnings per share:			
Continuing operations	\$ 0.88	\$ 0.74	\$ 0.14
Discontinued operations	\$ -	\$ 0.55	\$ (0.55)
Net income	<u>\$ 0.88</u>	<u>\$ 1.29</u>	<u>\$ (0.41)</u>
Weighted average shares outstanding:			
Basic	6,835	6,753	
Diluted	6,835	6,916	

Revenue for Fiscal 2008 increased 3.9% to \$42,340,000 compared to \$40,738,000 for Fiscal 2007. The favorable increase in revenues was attributable to both of FREIT’s real estate segments, with the commercial segment contributing 65% of the increase, and the residential segment contributing 35% of the increase.

During the 3rd quarter of Fiscal 2007, FREIT sold its Lakewood Apartments in Lakewood, New Jersey. In compliance with current accounting guidance, the gain on the sale, as well as the current and prior year’s earnings of the Lakewood operation are classified as “Income from discontinued operations”, which is included within “Net Income” after “Income from continuing operations”. (See Note 3 for a further discussion of the sale.) Net income for Fiscal 2008 was \$6,039,000 (\$0.88 diluted) compared to \$8,943,000 (\$1.29 diluted) for the prior year. Income from continuing operations for Fiscal 2008 was \$6,039,000 (\$0.88 diluted) compared to \$5,172,000 (\$0.74 diluted) for the prior year.

The schedule below provides a detailed analysis of the major changes that impacted revenue and net income for Fiscal 2008 and 2007:

NET INCOME COMPONENTS

	Year Ended October 31,		
	2008	2007	Change
	(in thousands)		
Commercial Properties (except Damascus)	\$ 13,812	\$ 13,085	\$ 727
Damascus Center - undergoing renovation	520	406	114
Total Commercial Properties	14,332	13,491	841
Residential Properties	11,012	10,574	438
Total income from real estate operations	25,344	24,065	1,279
Financing costs:			
Fixed rate mortgages	(10,119)	(9,966)	(153)
Floating Rate - Rotunda	(1,098)	(1,638)	540
Corporate Interest - Line/Floating	(340)	(293)	(47)
Total financing costs	(11,557)	(11,897)	340
Investment income	554	634	(80)
Corporate expenses	(862)	(816)	(46)
Accounting & other professional fees	(680)	(727)	47
Minority interest in earnings of subsidiaries	(1,138)	(626)	(512)
Distribution to Westwood Hills minority interests	-	(150)	150
Depreciation	(5,622)	(5,311)	(311)
Income from continuing operations	6,039	5,172	867
Income from discontinued operations	-	3,771	(3,771)
Net Income	\$ 6,039	\$ 8,943	\$ (2,904)

SEGMENT INFORMATION

The following table sets forth comparative operating data for FREIT's real estate segments:

	Commercial				Residential				Combined	
	Year Ended		Increase (Decrease)		Year Ended		Increase (Decrease)		Year Ended	
	Oct 31,				Oct 31,				Oct 31,	
	2008	2007	\$	%	2008	2007	\$	%	2008	2007
(in thousands)										
Rental income	\$ 17,238	\$ 16,692	\$ 546	3.3%	\$ 18,978	\$ 18,333	\$ 645	3.5%	\$ 36,216	\$ 35,025
Reimbursements	5,370	4,639	731	15.8%	-	-	-	-	5,370	4,639
Other	208	182	26	14.3%	213	293	(80)	-27.3%	421	475
Total Revenue	22,816	21,513	1,303	6.1%	19,191	18,626	565	3.0%	42,007	40,139
Operating expenses	8,817	8,621	196	2.3%	8,179	8,052	127	1.6%	16,996	16,673
Net operating income	\$ 13,999	\$ 12,892	\$ 1,107	8.6%	\$ 11,012	\$ 10,574	\$ 438	4.1%	25,011	23,466
Average										
Occupancy %	<u>89.8%</u>	<u>90.3%</u>		<u>-0.5%</u>	<u>94.8%</u>	<u>95.0%</u>		<u>-0.2%</u>		

Reconciliation to consolidated net income:

Deferred rents - straight lining	237	298
Amortization of acquired leases	96	301
Net investment income	554	634
General and administrative expenses	(1,542)	(1,543)
Depreciation	(5,622)	(5,311)
Financing costs	(11,557)	(11,897)
Distributions to certain minority interests	-	(150)
Minority interest	(1,138)	(626)
Income from continuing operations	<u>6,039</u>	<u>5,172</u>
Income from discontinued operations	-	3,771
Net income	\$ 6,039	\$ 8,943

The above table details the comparative net operating income ("NOI") for FREIT's Commercial and Residential Segments, and reconciles the combined NOI to consolidated Net Income. 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 and financing costs. FREIT assesses and measures segment operating results based on NOI. NOI is not a measure of operating results or cash flow 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.

COMMERCIAL SEGMENT

The commercial segment contained ten (10) separate properties during Fiscal 2008 and Fiscal 2007. Seven are multi-tenanted retail or office centers, and one is a single tenanted store. In addition, FREIT owns land in Rockaway, NJ and Rochelle Park, NJ from which it receives monthly rental income. The Rockaway land is leased to a tenant who has built and operates a bank branch on the land. In Rochelle Park, FREIT leases the land to a tenant who plans to build and operate a bank branch on the land.

Revenue and NOI from FREIT's commercial segment for Fiscal 2008 increased \$1.3 million (6.1%) and \$1.1 million (8.6%), respectively, over Fiscal 2007. The primary reasons for the increase in revenue and NOI, not including Damascus, were higher occupancy levels at Westridge Square, Westwood Plaza and The Rotunda, a full-year's revenue with respect to FREIT's Rochelle Park land lease and an increase in reimbursable operating expenses over last year, specifically at The Rotunda. The increase in revenue and NOI was tempered slightly by the effect of the anticipated planned renovation at our Damascus Shopping Center (the "Damascus Center"), which caused a temporary decline in occupancy levels (see discussion below). Average occupancy rates for FREIT's commercial segment for Fiscal 2008 was at 95.1%, exclusive of the Damascus Center, compared to 94.6% for Fiscal 2007. Occupancy rates for the Damascus Center decreased to 47.7% for Fiscal 2008 from 55.9% for Fiscal 2007.

The impact of this renovation on the year-to-date results of the commercial segment is reflected in the following table:

	Year Ended October 31,					
	2008			2007		
	Commercial Properties	Damascus	Same Properties	Commercial Properties	Damascus	Same Properties
Revenues	\$ 22,816	\$ 917	\$ 21,899	\$ 21,513	\$ 829	\$ 20,684
Expenses	8,817	434	8,383	8,621	410	8,211
NOI	\$ 13,999	\$ 483	\$ 13,516	\$ 12,892	\$ 419	\$ 12,473

Revenues and NOI for same properties increased 6% and 8% respectively for Fiscal 2008 over Fiscal 2007.

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. Building plans for Phase I have been approved and 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. On February 12, 2008, Damascus Centre, LLC closed on a \$27.3 million construction loan that is available to fund already expended and future construction costs. This loan will be drawn upon as needed. As of October 31, 2008, Damascus drew down \$5.1 million of this loan 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 not 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) have been 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 October 31, 2008, we have expended approximately \$5.0 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

During Fiscal 2008 and Fiscal 2007, FREIT operated nine (9) multi-family apartment communities totaling 1,075 apartment units, excluding the Lakewood property that was sold during Fiscal 2007. (See Note 3 for a further discussion of the sale.)

During Fiscal 2008 revenues increased \$565,000 (3.0%) to \$19,191,000 and NOI increased \$438,000 (4.1%) to \$11,012,000 over Fiscal 2007. The favorable results at FREIT's residential segment for Fiscal 2008 was primarily attributable to the contribution made by The Boulders, which accounted for 57% and 50% of the increase in revenues and NOI, respectively. Average occupancy rates for FREIT's residential segment for Fiscal 2008 and 2007 was level at 95%. However, average occupancy at The Boulders increased to 97% for Fiscal 2008, compared to 88% for last year's comparable period.

The occupancy at our residential properties remains high. However, due to the current economic crisis causing high unemployment in our areas of operation, we are experiencing resistance to rent increases, granting concessions, a higher number of move-outs and higher than usual incidences of late or defaulted monthly rental payments. We expect this trend to continue through 2009 and result in residential revenues to be flat or slightly lower than during Fiscal 2008.

Our residential revenue is principally composed of monthly apartment rental income. Total rental income is a factor of occupancy and monthly apartment rents. 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 \$200,000 and \$188,000 respectively.

Capital expenditures: During Fiscal 2008 we expended \$424,000 (\$626 per apartment unit) excluding The Pierre and the newly constructed Boulders. Since our apartment communities 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.

At The Pierre, a major renovation program is ongoing. We are in the process of modernizing, where required, all apartments and some of the building's mechanical services. This renovation is expected to cost approximately \$3 - \$4 million and apartments are to be renovated as they become temporarily vacant, over the next several years. These costs will be financed from operating cash flow and cash reserves. Through October 31, 2008, we expended approximately \$2.9 million in capital improvements at The Pierre, including approximately \$205,000 during Fiscal 2008.

NET INVESTMENT INCOME

Net investment income decreased 13% to \$554,000 during Fiscal 2008 from \$634,000 in Fiscal 2007. Net 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 net investment income for the current year was primarily attributable to lower interest income on the Company's investments, due in part to lower interest rates and a decrease in the level of investable cash for Fiscal 2008, as funds were used for construction and development activities. Slightly offsetting the decrease in investment income was increased 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.

FINANCING COSTS

Financing costs are summarized as follows:

	Year Ended October 31,	
	2008	2007
	(in thousands)	
Fixed rate mortgages:		
1st Mortgages		
Existing	\$ 8,547	\$ 6,503
New	244	1,728
2nd Mortgages		
Existing	1,188	1,774
Variable rate mortgages:		
Acquisition loan-Rotunda	1,198	1,580
Construction loan-Damascus	112	-
Other	245	269
	<u>11,534</u>	<u>11,854</u>
Amortization of Mortgage Costs	371	277
Total Financing Costs	<u>11,905</u>	<u>12,131</u>
Less amount capitalized	(348)	(234)
Financing costs expensed	<u>\$ 11,557</u>	<u>\$ 11,897</u>

Financing costs for Fiscal 2008 decreased by \$340,000 (2.9%) compared to Fiscal 2007. The principal reasons for the decrease were attributable to lower interest rates relative to The Rotunda acquisition loan of \$22.5 million, which bears a floating interest rate, coupled with an increase in capitalized interest related to ongoing capital projects. Lower interest rates over the course of the last year decreased the level of interest expense for The Rotunda by \$382,000, to \$1,198,000 for Fiscal 2008.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses ("G&A") for Fiscal 2008 were \$1,542,000, level with Fiscal 2007. The primary components of G&A are accounting & professional fees and Trustees fees, which, in the aggregate, comprise 77% of total G&A.

DEPRECIATION

Depreciation expense in Fiscal 2008 increased \$311,000 (5.9%) to \$5,622,000 from \$5,311,000 for Fiscal 2007. The increase was primarily attributable to depreciation related to the June 2008 completion of Phase I of the Damascus Centre redevelopment project, in addition to capital improvements at FREIT's Westridge Square Shopping Center in Frederick, MD.

Results of Operations:

Fiscal Years Ended October 31, 2007 and 2006

Summary revenues and net income for the fiscal years ended October 31, 2007 ("Fiscal 2007") and October 31, 2006 ("Fiscal 2006") are as follows:

	Year Ended October 31,		
	2007	2006	Change
	(in thousands, except per share amounts)		
Real estate revenues:			
Commercial properties	\$ 22,112	\$ 21,926	\$ 186
Residential properties	18,626	15,967	2,659
Total real estate revenues	<u>40,738</u>	<u>37,893</u>	<u>2,845</u>
Operating expenses:			
Real estate operations	16,673	15,658	1,015
General and administrative	1,543	1,212	331
Depreciation	5,311	4,726	585
Total operating expenses	<u>23,527</u>	<u>21,596</u>	<u>1,931</u>
Operating income	<u>17,211</u>	<u>16,297</u>	<u>914</u>
Investment income	634	232	402
Financing costs	(11,897)	(11,127)	(770)
Minority interest in earnings of subsidiaries	(626)	(257)	(369)
Distribution to certain minority interests	(150)	(150)	-
Income from continuing operations	<u>5,172</u>	<u>4,995</u>	<u>177</u>
Income from discontinued operations	<u>3,771</u>	<u>163</u>	<u>3,608</u>
Net income	<u>\$ 8,943</u>	<u>\$ 5,158</u>	<u>\$ 3,785</u>
Basic earnings per share:			
Continuing operations	\$ 0.76	\$ 0.76	\$ -
Discontinued operations	\$ 0.56	\$ 0.02	\$ 0.54
Net income	<u>\$ 1.32</u>	<u>\$ 0.78</u>	<u>\$ 0.54</u>
Diluted earnings per share:			
Continuing operations	\$ 0.74	\$ 0.73	\$ 0.01
Discontinued operations	\$ 0.55	\$ 0.03	\$ 0.52
Net income	<u>\$ 1.29</u>	<u>\$ 0.76</u>	<u>\$ 0.53</u>
Weighted average shares outstanding:			
Basic	6,753	6,574	
Diluted	6,916	6,816	

Revenue for Fiscal 2007 increased 7.5% to \$40,738,000 compared to \$37,893,000 for Fiscal 2006. The increase in real estate revenues was principally attributable to FREIT's residential operations, primarily at The Boulders in Rockaway Township, NJ, which accounted for 69.2% of the increase in revenues.

Net income for Fiscal 2007 was \$8,943,000 (\$1.29 diluted) compared to \$5,158,000 (\$0.76 diluted) for the prior year. Income from continuing operations for Fiscal 2007 was \$5,172,000 (\$0.74 diluted) compared to \$4,995,000 (\$0.73 diluted) for the prior year. The schedule below provides a detailed analysis of the major changes that impacted revenue and net income for Fiscal 2007 and 2006:

NET INCOME COMPONENTS

	Year Ended October 31,		
	2007	2006	Change
	(in thousands)		
Commercial Properties			
Same Properties (1)	\$ 13,085	\$ 12,710	\$ 375
Damascus Center - undergoing renovation	406	752	(346)
Total Commercial Properties	<u>13,491</u>	<u>13,462</u>	<u>29</u>
Residential Properties			
Same Properties (1)	9,177	8,541	636
Boulders at Rockaway	1,397	232	1,165
Total Residential Properties	<u>10,574</u>	<u>8,773</u>	<u>1,801</u>
Total income from real estate operations	24,065	22,235	1,830
Financing costs:			
Fixed rate mortgages			
Same Properties (1)	(8,858)	(9,374)	516
Boulders at Rockaway	(1,108)	-	(1,108)
Floating Rate - Rotunda	(1,638)	(1,509)	(129)
Corporate interest - Line / Floating	(293)	(244)	(49)
Total financing costs	<u>(11,897)</u>	<u>(11,127)</u>	<u>(770)</u>
Investment income	634	232	402
Corporate expenses	(816)	(800)	(16)
Accounting	(727)	(412)	(315)
Minority interest in earnings of subsidiaries	(626)	(257)	(369)
Distribution to Westwood Hills minority interests	(150)	(150)	-
Depreciation:			
Same Properties (1)	(4,786)	(4,601)	(185)
Boulders at Rockaway	(525)	(125)	(400)
Total depreciation	<u>(5,311)</u>	<u>(4,726)</u>	<u>(585)</u>
Income from continuing operations	<u>5,172</u>	<u>4,995</u>	<u>177</u>
Income from discontinued operations	3,771	163	3,608
Net Income	<u>\$ 8,943</u>	<u>\$ 5,158</u>	<u>\$ 3,785</u>

(1) Properties operated since the beginning of Fiscal 2006.

SEGMENT INFORMATION

The following table sets forth comparative operating data for FREIT's real estate segments:

	Commercial				Residential				Combined	
	Year Ended		Increase (Decrease)		Year Ended		Increase (Decrease)		Year Ended	
	Oct 31,				Oct 31,				Oct 31,	
	2007	2006	\$	%	2007	2006*	\$	%	2007	2006*
	(in thousands)				(in thousands)				(in thousands)	
Rental income	\$ 16,692	\$ 16,264	\$ 428	2.6%	\$ 18,333	\$ 15,777	\$ 2,556	16.2%	\$ 35,025	\$ 32,041
Reimbursements	4,639	4,669	(30)	-0.6%			-		4,639	4,669
Other	182	161	21	13.0%	293	190	103	54.2%	475	351
Total Revenue	21,513	21,094	419	2.0%	18,626	15,967	2,659	16.7%	40,139	37,061
Operating expenses	8,621	8,464	157	1.9%	8,052	7,194	858	11.9%	16,673	15,658
Net operating income	\$ 12,892	\$ 12,630	\$ 262	2.1%	\$ 10,574	\$ 8,773	\$ 1,801	20.5%	23,466	21,403
Average Occupancy %	<u>90.3%</u>	<u>90.3%</u>		<u>0.0%</u>	<u>95.0%</u>	<u>95.6%</u>		<u>-0.6%</u>		

Reconciliation to consolidated net income:

Deferred rents - straight lining	298	342
Amortization of acquired leases	301	490
Net investment income	634	232
General and administrative expenses	(1,543)	(1,212)
Depreciation	(5,311)	(4,726)
Financing costs	(11,897)	(11,127)
Distributions to certain minority interests	(150)	(150)
Minority interest	(626)	(257)
Income from continuing operations	<u>5,172</u>	<u>4,995</u>
Income from discontinued operations	<u>3,771</u>	<u>163</u>
Net income	\$ 8,943	\$ 5,158

* Reclassified to reflect discontinued operations (See Notes 1 & 3 to the consolidated financial statements for more details.)

The above table details the comparative net operating income ("NOI") for FREIT's Commercial and Residential Segments, and reconciles the combined NOI to consolidated Net Income. 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 and financing costs. FREIT assesses and measures segment operating results based on NOI. NOI is not a measure of operating results or cash flow 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.

COMMERCIAL SEGMENT

The commercial segment contained ten (10) separate properties during Fiscal 2007 and nine (9) separate properties during Fiscal 2006. Revenue and NOI from FREIT's commercial segment for Fiscal 2007 increased \$419,000 (2.0%) and \$262,000 (2.1%), respectively, over Fiscal 2006. The primary reasons for the increase in revenue and NOI, not including Damascus, were higher occupancy levels and a decrease in operating expense over last year, specifically leasing commissions at The Rotunda. The increase in revenue and NOI was tempered slightly by the adverse effect of the anticipated planned renovation at our Damascus Shopping Center (the "Damascus Center"), which caused a temporary decline in occupancy levels (see discussion below). Average occupancy rates for FREIT's commercial segment for Fiscal 2007 was at 94.6%, exclusive of the Damascus Center, compared to 93.0% for Fiscal 2006. Occupancy rates for the Damascus Center decreased to 55.9% for Fiscal 2007 from 68.6% for Fiscal 2006.

The impact of this renovation on the year-to-date results of the commercial segment is reflected in the following table:

	Year Ended October 31,					
	2007			2006		
	(in thousands)					
	Commercial	Same	Commercial	Commercial	Same	Commercial
	Combined	Damascus	Properties	Combined	Damascus	Properties
Revenues	\$ 21,513	\$ 829	\$ 20,684	\$ 21,094	\$ 1,183	\$ 19,911
Expenses	8,621	410	8,211	8,464	426	8,038
NOI	<u>\$ 12,892</u>	<u>\$ 419</u>	<u>\$ 12,473</u>	<u>\$ 12,630</u>	<u>\$ 757</u>	<u>\$ 11,873</u>

Revenues and NOI for same properties increased 4% and 5% respectively for Fiscal 2007 over Fiscal 2006.

RESIDENTIAL SEGMENT

During Fiscal 2007, FREIT operated nine (9) multi-family apartment communities totaling 1,075 apartment units, not including the Lakewood property. During the latter part of June 2006, tenants began taking occupancy at completed buildings at FREIT's 129-unit Rockaway, NJ project, The Boulders, which had been under construction. Fiscal 2007 was the first full year of operation for The Boulders.

During Fiscal 2007 revenues increased \$2,659,000 (16.7%) to \$18,626,000 and NOI increased \$1,801,000 (20.5%) to \$10,574,000 over Fiscal 2006. The favorable results at FREIT's residential segment for Fiscal 2007 were primarily attributable to the contribution made by The Boulders, in addition to a combination of higher occupancy levels and higher rents.

The contribution made by The Boulders, to revenues and NOI during Fiscal 2007 and 2006 is reflected in the following table:

	Year Ended October 31,					
	2007			2006		
	(in thousands)					
	Residential Combined	Boulders	Same Properties	Residential Combined	Boulders	Same Properties
Revenues	\$ 18,626	\$ 2,352	\$ 16,274	\$ 15,967	\$ 384	\$ 15,583
Expenses	8,052	955	7,097	7,194	152	7,042
NOI	\$ <u>10,574</u>	\$ <u>1,397</u>	\$ <u>9,177</u>	\$ <u>8,773</u>	\$ <u>232</u>	\$ <u>8,541</u>

Our residential revenue is principally composed of monthly apartment rental income. Total rental income is a factor of occupancy and monthly apartment rents. 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 \$197,000 and \$187,000 respectively.

Capital expenditures: During Fiscal 2007 we expended \$460,000 (\$679 per apartment unit) excluding The Pierre and the newly constructed Boulders. Since our apartment communities 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.

NET INVESTMENT INCOME

Net investment income increased 173% to \$634,000 during Fiscal 2007 from \$232,000 in Fiscal 2006. Net investment income is principally derived from interest earned from cash on deposit in institutional money market funds and interest earned from secured loans receivable. The increase in net investment income for the current year was primarily attributable to higher interest income for the current year due to higher interest rates on the Company's investments, coupled with interest income relative to the secured loans made to Hekemian employees in connection with the sale of an equity interest in the Damascus Center, effective October 31, 2006.

FINANCING COSTS

Financing costs are summarized as follows:

	Year Ended October 31,	
	2007	2006
	(in thousands)	
Fixed rate mortgages		
1st mortgages		
Existing	\$ 6,503	\$ 9,242
New (1)	1,728	-
2nd mortgages		
Existing	1,774	540
Variable rate mortgages:		
Acquisition loan - Rotunda	1,580	1,460
Credit line	84	86
Other	185	134
	<u>11,854</u>	<u>11,462</u>
Amortization of mortgage costs	277	246
Less construction period interest capitalized	(234)	(581)
Financing costs expensed	<u>\$ 11,897</u>	<u>\$ 11,127</u>

(1) Mortgages not in place at beginning of Fiscal 2006.

Financing costs for Fiscal 2007 increased by \$770,000 (6.9%) compared to Fiscal 2006. The principal reasons for the increase were due to increased financing levels at The Boulders (construction and permanent loans) resulting in an increase in financing costs of \$1,108,000 for Fiscal 2007, coupled with higher interest rates relative to The Rotunda acquisition loan of \$22.5 million, which bears a floating interest rate. Higher interest rates over the course of the last year raised the level of interest expense for The Rotunda by \$120,000, to \$1,580,000 for Fiscal 2007.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses increased \$331,000 (27.3%) to \$1,543,000 for Fiscal 2007 from \$1,212,000 for Fiscal 2006. The increases for Fiscal 2007 were primarily attributable to increases in accounting and auditing fees of \$315,000.

DEPRECIATION

Depreciation expense in Fiscal 2007 increased \$585,000 (12.4%) to \$5,311,000 from \$4,726,000 for Fiscal 2006. The increase was primarily attributable to depreciation related to The Boulders property, completed in August 2006.

LIQUIDITY AND CAPITAL RESOURCES

Our financial condition remains strong. Net cash provided by operating activities was \$13.8 million for Fiscal 2008 compared to \$11.8 million for Fiscal 2007. 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 October 31, 2008, we had cash and marketable securities totaling \$8.2 million compared to \$12.7 million at October 31, 2007.

We have begun the rebuilding of the Damascus Shopping Center, in Damascus, MD. The total capital required for this project is estimated at \$21.9 million. On February 12, 2008, Damascus Centre, LLC (“Damascus Centre”) closed on a \$27.3 million construction loan that is available to fund already expended and future construction costs. This loan has a term of forty-eight (48) months, with one twelve (12) month extension option. FREIT has guaranteed 30% of the loan, and the minority interests, who have a 30% investment in the Damascus Centre, have agreed to indemnify FREIT for their share of the guarantee. Draws against this loan bear interest at the BBA LIBOR daily floating rate plus 135 basis points. As of October 31, 2008, Damascus drew down \$5.1 million of this loan 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 will be, for the most part, from mortgage financing. During Fiscal 2008 we’ve substantially completed the planning and feasibility studies and have expended approximately \$5.0 million during this phase, which adds to the value of our property. Due to the current economic crisis and liquidity and credit crunch, no date for the commencement of construction has been determined.

As at October 31, 2008, FREIT’s aggregate outstanding mortgage debt was \$192.4 million. This debt bears a fixed weighted average interest rate of 5.87%. The fixed rate mortgages, which have an average life of approximately 5.62 years, are subject to repayment (amortization) schedules that are longer than the term of the mortgages. As such, balloon payments for all mortgage debt will be required as follows:

<u>Year</u>	<u>\$ Millions</u>
2009	\$ 22.5
2010	\$ 12.2
2012	\$ 5.1
2013	\$ 8.0
2014	\$ 25.9
2016	\$ 24.5
2017	\$ 22.0
2018	\$ 5.0
2019	\$ 28.1
2022	\$ 14.4

Our Rotunda acquisition loan of \$22.5 million matures in July 2009. FREIT is exploring the extension of the loan’s maturity date or replacement of the loan.

The following table shows the estimated fair value and carrying value of our long-term debt at October 31, 2008 and 2007:

<i>(In Millions)</i>	October 31, 2008	October 31, 2007
Fair Value	\$ 196.2	\$ 188.7
Carrying Value	\$ 192.4	\$ 189.4

Fair values are estimated based on market interest rates at the end of each fiscal year and on discounted cash flow analysis. Changes in assumptions or estimation methods may significantly affect these fair value estimates.

FREIT expects to re-finance the individual mortgages with new mortgages when their terms expire. To this extent we have exposure to interest rate risk on our fixed rate debt obligations. 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 re-financing proceeds may be less than the amount of mortgage debt being retired. For example, a 1% interest rate increase would reduce the fair value of our debt by \$9.5 million, and a 1% decrease would increase the fair value by \$10.3 million.

We believe that the values of our properties will be adequate to command re-financing proceeds equal to, or higher than, the mortgage debt to be re-financed. 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 shareholders.

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.

In connection with its construction activities in Rockaway, NJ, FREIT utilized the credit line for the issuance of a \$384,000 Letter of Credit. As of October 31, 2008, approximately \$17.6 million is available under the line of credit.

Interest rate swap contract: To reduce interest rate volatility, FREIT had used "pay fixed, receive floating" interest rate swaps to convert floating interest rates to fixed interest rates over the terms of certain loans. We entered into these swap contracts with a counterparty that is usually a high-quality commercial bank.

FREIT had a variable interest rate mortgage securing its Patchogue, NY property. To reduce interest rate fluctuations FREIT entered into an interest rate swap contract. This rate swap contract effectively converted variable interest rate payments to fixed interest rate payments.

This variable rate mortgage loan came due on January 2, 2008. The due date of the loan was extended to February 29, 2008. On February 29, 2008, the unpaid principal amount of this loan of approximately \$5.9 million was refinanced with a \$6 million mortgage loan bearing a fixed interest rate of 6.125%, with a ten (10) year term, and payable according to a thirty (30) year amortization schedule. Under the terms of the mortgage loan agreement, FREIT can request, during the term of the loan, additional fundings that will bring the outstanding principal balance up to 75% of loan-to-value (percentage of mortgage loan to total appraised value of property securing the loan).

FREIT's total capital commitments represent obligations under its mortgage loan and construction contracts as follows:

CAPITAL COMMITMENTS					
<i>(in thousands of dollars)</i>					
	<i>Total</i>	<i>Within One Year</i>	<i>2 - 3 Years</i>	<i>4 - 5 Years</i>	<i>After 5 Years</i>
Contractual Obligations					
Long-Term Debt					
Annual Amortization	\$ 24,556	\$ 2,521	\$ 5,474	\$ 5,897	\$ 10,664
Balloon Payments	162,715	22,500	12,216	7,984	120,015
Total Long-Term Debt	187,271	25,021	17,690	13,881	130,679
Construction Loan (a)	5,081	-	-	5,081	-
Total Capital Commitments	\$ 192,352	\$ 25,021	\$ 17,690	\$ 18,962	\$ 130,679

(a) Represents draws on construction loan related to Damascus Center redevelopment project.

Share repurchase program:

On April 9, 2008, FREIT's Board of Trustees authorized up to \$2 million for the repurchase of FREIT shares commencing three (3) days after the announcement of its operating results for the quarter ended April 30, 2008. Share repurchases under this program may be made from time to time in the open market or through privately negotiated transactions, depending on trading prices of FREIT shares and other market conditions. This share repurchase program may be limited or terminated at any time and without prior notice. As of October 31, 2008, FREIT repurchased 46,720 shares of common stock at a cost of \$1,075,000, which is reflected in the Stockholders' Equity section of FREIT's balance sheet.

Funds From Operations ("FFO")

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

Funds From Operations

	Year Ended October 31,		
	2008	2007	2006
	(in thousands, except per share amounts)		
Net income	\$ 6,039	\$ 8,943	\$ 5,158
Depreciation	5,622	5,311	4,726
Amortization of deferred mortgage costs	371	277	246
Deferred rents (Straight lining)	(237)	(298)	(342)
Amortization of acquired leases	(96)	(301)	(490)
Capital Improvements - Apartments	(424)	(460)	(368)
Discontinued operations	-	(3,771)	(163)
Minority interests:			
Equity in earnings of subsidiaries	1,138	776	407
Distributions to minority interests	(1,093)	(998)	(780)
FFO	\$ 11,320	\$ 9,479	\$ 8,394
<i>Per Share - Basic</i>	<i>\$ 1.66</i>	<i>\$ 1.40</i>	<i>\$ 1.28</i>
<i>Per Share - Diluted</i>	<i>\$ 1.66</i>	<i>\$ 1.37</i>	<i>\$ 1.23</i>
Weighted Average Shares Outstanding:			
Basic	<u>6,835</u>	<u>6,753</u>	<u>6,574</u>
Diluted	<u>6,835</u>	<u>6,916</u>	<u>6,816</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.

Distributions to Shareholders

Since its inception in 1961, FREIT has elected to be treated as a REIT for Federal income tax purposes. In order to qualify as a REIT, we must satisfy a number of highly technical and complex operational requirements including that we must distribute to our shareholders at least 90% of our REIT taxable income. We anticipate making distributions to shareholders from operating cash flows, which are expected to increase from future growth in rental revenues. Although cash used to make distributions reduces amounts available for capital investment, we generally intend to distribute not less than the minimum of REIT taxable income necessary to satisfy the applicable REIT requirement as set forth in the Internal Revenue Code. With respect to the Jobs and Growth Tax Relief Reconciliation Act of 2003, the reduction of the tax rate on dividends does not apply to FREIT dividends. Since it is FREIT's policy to pass on at least 90% of its taxable income to shareholders, FREIT's taxable income is untaxed at the trust level. As a result, FREIT's dividends will be taxed as ordinary income.

It has been our policy to pay fixed quarterly dividends for the first three quarters of each fiscal year, and a final fourth quarter dividend based on the fiscal year's net income and taxable income. The following tables list the quarterly dividends paid or declared for the three most recent fiscal years and the dividends as a percentage of taxable income for those periods.

	Fiscal Year ended October 31,		
	2008	2007	2006
First Quarter	\$ 0.30	\$ 0.30	\$ 0.25
Second Quarter	\$ 0.30	\$ 0.30	\$ 0.25
Third Quarter	\$ 0.30	\$ 0.30	\$ 0.25
Fourth Quarter	\$ 0.30	\$ 0.40	\$ 0.50
Total For Year	\$ 1.20	\$ 1.30	\$ 1.25

Fiscal Year	Per Share	(in thousands of dollars)				Dividends as a % of Taxable Income
		Total Dividends	Ordinary Income	Capital Gain Income	Taxable Income	
2008	\$ 1.20	\$ 8,263	\$ 6,346	\$ -	\$ 6,346	130.2%
2007	\$ 1.30	\$ 8,787	\$ 5,353	\$ 2,040	\$ 7,393	118.9%
2006	\$ 1.25	\$ 8,313	\$ 5,250	\$ -	\$ 5,250	158.3%

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.

* * *

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See “Liquidity and Capital Resources” and “Commercial and Residential Segment” in Item 7 above.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data of FREIT are submitted as a separate section of this Form 10-K. See "Index to Consolidated Financial Statements" on page 37 of this Form 10-K.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A 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 have been no significant changes in FREIT’s internal controls or in other factors, which could significantly affect internal controls subsequent to the date we carried out our evaluation.

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.

Management’s Report on Internal Control Over Financial Reporting — FREIT’s management, under the supervision of FREIT’s Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act). Management evaluated the effectiveness of FREIT’s internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management has concluded that FREIT’s internal control over financial reporting was effective as of October 31, 2008.

Changes in Internal Control Over Financial Reporting — FREIT’s management, with the participation of FREIT’s Chief Executive Officer and Chief Financial Officer, has evaluated whether any change in FREIT’s internal control over financial reporting occurred during the fourth quarter of Fiscal 2008. Based on that evaluation, management concluded that there has been no change in FREIT’s internal control over financial reporting during the fourth quarter of fiscal 2008 that has materially affected, or is reasonably likely to materially affect, FREIT’s internal control over financial reporting.

ITEM 9B OTHER INFORMATION

None.

Report of Independent Registered Public Accounting Firm

To the Trustees and Shareholders
First Real Estate Investment Trust of New Jersey and Subsidiaries

We have audited First Real Estate Investment Trust of New Jersey and Subsidiaries' ("FREIT") internal control over financial reporting as of October 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). FREIT's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on FREIT's internal control over financial reporting based on our audit.

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

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

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

In our opinion, FREIT maintained, in all material respects, effective internal control over financial reporting as of October 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of FREIT as of October 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income and undistributed earnings and cash flows for each of the years in the three-year period ended October 31, 2008 and financial statement schedule, and our report dated January 9, 2009 expressed an unqualified opinion on those consolidated financial statements.

/s/ Eisner LLP
New York, NY

January 9, 2009

PART III

Certain information required by Part III is incorporated by reference to FREIT's definitive proxy statement (the "Proxy Statement") to be filed with the Securities and Exchange Commission no later than 120 days after the end of FREIT's fiscal year covered by this Annual Report. Only those sections of the Proxy Statement that specifically address the items set forth in this Annual Report are incorporated by reference from the Proxy Statement into this Annual Report.

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning FREIT's trustees required by this item is incorporated herein by reference to the sections titled "Election of Trustees" and "Compliance with Section 16(a) of the Securities Exchange Act" in FREIT's Proxy Statement for its Annual Meeting to be held in April 2009.

ITEM 11 EXECUTIVE COMPENSATION

The information pertaining to executive compensation required by this item is incorporated herein by reference to the section titled "Election of Trustees - Executive Compensation" in FREIT's Proxy Statement for its Annual Meeting to be held in April 2009.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to the section titled "Security Ownership of Certain Beneficial Owners and Management" in FREIT's Proxy Statement for its Annual Meeting to be held in April 2009.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the section titled "Certain Relationships and Related Party Transactions" in FREIT's Proxy Statement for its Annual Meeting to be held in April 2009.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required in response to this item is incorporated by reference to the sections titled "Audit Fees," "Audit-Related Fees," "Tax Fees" and "All Other Fees" contained in FREIT's Proxy Statement for its Annual Meeting to be held in April 2009.

PART IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, FREIT 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

Dated: January 14, 2009

By: /s/ Robert S. Hekemian

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

By: /s/ Donald W. Barney

President, Treasurer and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Trustees and Shareholders
First Real Estate Investment Trust of New Jersey and Subsidiaries

We have audited the accompanying consolidated balance sheets of First Real Estate Investment Trust of New Jersey and Subsidiaries ("FREIT") as of October 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income and undistributed earnings and cash flows for each of the years in the three-year period ended October 31, 2008. Our audits also included the financial statement schedule listed in the index at item 15(c). These consolidated financial statements and schedule are the responsibility of FREIT's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements enumerated above present fairly, in all material respects, the consolidated financial position of FREIT as of October 31, 2008 and 2007, and the consolidated results of their operations and their consolidated cash flows for each of the years in the three-year period ended October 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the referred financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information stated therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), FREIT's internal control over financial reporting as of October 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated January 9, 2009 expressed an unqualified opinion thereon.

/s/ Eisner LLP
New York, NY

January 9, 2009

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 2008 AND 2007

	2008	2007
	(In Thousands of Dollars)	
<u>ASSETS</u>		
Real estate, at cost, net of accumulated depreciation	\$ 208,955	\$ 204,732
Construction in progress	8,058	7,331
Cash and cash equivalents	8,192	12,740
Tenants' security accounts	2,377	2,369
Sundry receivables	4,371	4,833
Secured loans receivable	3,326	3,326
Prepaid expenses and other assets	2,952	2,852
Acquired over market leases and in-place lease costs	865	1,104
Deferred charges, net	2,660	3,454
Interest rate swap contract	-	14
Totals	\$ 241,756	\$ 242,755
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Liabilities:		
Mortgages payable	\$ 192,352	\$ 189,389
Accounts payable and accrued expenses	4,014	5,193
Dividends payable	2,084	2,704
Tenants' security deposits	3,061	3,124
Acquired below market value leases and deferred revenue	3,485	3,911
Total liabilities	204,996	204,321
Minority interest	13,199	13,304
Commitments and contingencies		
Shareholders' equity:		
Shares of beneficial interest without par value:		
8,000,000 shares authorized;		
6,993,152 and 6,760,652 shares issued and outstanding	24,969	23,225
Treasury stock, at cost: 46,720 shares	(1,075)	-
Undistributed earnings (deficit)	(333)	1,891
Accumulated other comprehensive income	-	14
Total shareholders' equity	23,561	25,130
Totals	\$ 241,756	\$ 242,755

See Notes to Consolidated Financial Statements.

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME
AND UNDISTRIBUTED EARNINGS
YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In Thousands of Dollars, Except Per Share Amounts)		
<u>INCOME</u>			
Revenue:			
Rental income	\$ 36,549	\$ 35,624	\$ 32,873
Reimbursements	5,370	4,639	4,669
Sundry income	421	475	351
Totals	<u>42,340</u>	<u>40,738</u>	<u>37,893</u>
Expenses:			
Operating expenses	10,766	10,742	9,848
Management fees	1,847	1,775	1,687
Real estate taxes	5,925	5,699	5,335
Depreciation	5,622	5,311	4,726
Totals	<u>24,160</u>	<u>23,527</u>	<u>21,596</u>
Operating income	18,180	17,211	16,297
Investment income	554	634	232
Interest expense including amortization of deferred financing costs	(11,557)	(11,897)	(11,127)
Minority interest	(1,138)	(626)	(257)
Distribution to certain minority interests	-	(150)	(150)
Income from continuing operations	<u>6,039</u>	<u>5,172</u>	<u>4,995</u>
Discontinued operations:			
Earnings from discontinued operations	-	91	163
Gain on sale	-	3,680	-
Income from discontinued operations	<u>-</u>	<u>3,771</u>	<u>163</u>
Net income	<u>\$ 6,039</u>	<u>\$ 8,943</u>	<u>\$ 5,158</u>
Basic earnings per share:			
Continuing operations	\$ 0.88	\$ 0.76	\$ 0.76
Discontinued operations	-	\$ 0.56	\$ 0.02
Net income	<u>\$ 0.88</u>	<u>\$ 1.32</u>	<u>\$ 0.78</u>
Diluted earnings per share:			
Continuing operations	\$ 0.88	\$ 0.74	\$ 0.73
Discontinued operations	-	\$ 0.55	\$ 0.03
Net income	<u>\$ 0.88</u>	<u>\$ 1.29</u>	<u>\$ 0.76</u>
Weighted average shares outstanding:			
Basic	6,835	6,753	6,574
Diluted	6,835	6,916	6,816
<u>COMPREHENSIVE INCOME</u>			
Net income	\$ 6,039	\$ 8,943	\$ 5,158
Other comprehensive income (loss):			
Unrealized (loss) on interest rate swap contract	-	(73)	(9)
Comprehensive income	<u>\$ 6,039</u>	<u>\$ 8,870</u>	<u>\$ 5,149</u>
<u>UNDISTRIBUTED EARNINGS</u>			
Balance, beginning of period	\$ 1,891	\$ 1,735	\$ 4,890
Net income	6,039	8,943	5,158
Less dividends declared	(8,263)	(8,787)	(8,313)
Balance, end of period	<u>\$ (333)</u>	<u>\$ 1,891</u>	<u>\$ 1,735</u>
Dividends declared per share	<u>\$ 1.20</u>	<u>\$ 1.30</u>	<u>\$ 1.25</u>

See Notes to Consolidated Financial Statements.

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006

	2008	2007	2006
	(In Thousands of Dollars)		
Operating activities:			
Net income	\$ 6,039	\$ 8,943	\$ 5,158
Adjustments to reconcile net income to net cash provided by operating activities (including discontinued operations):			
Depreciation	5,622	5,319	4,739
Amortization	766	763	757
Net amortization of acquired leases	(96)	(301)	(490)
Deferred revenue	(188)	1,083	64
Minority interest	1,138	776	407
Gain on sale of discontinued operations	-	(3,680)	-
Changes in operating assets and liabilities:			
Tenants' security accounts	(8)	(208)	(253)
Sundry receivables, prepaid expenses and other assets	(154)	(795)	1,137
Accounts payable, accrued expenses and other liabilities	731	(394)	234
Tenants' security deposits	(63)	301	336
Net cash provided by operating activities	13,787	11,807	12,089
Investing activities:			
Capital improvements - existing properties	(2,715)	(2,038)	(2,351)
Proceeds from sale of discontinued operations	-	3,796	-
Construction and pre development costs	(9,006)	(6,043)	(14,463)
Additions to leasing costs	-	-	(298)
Acquisition of real estate	-	(2,545)	-
Sale of minority interest in subsidiary	-	-	3,224
Secured loans to minority interest	-	-	(1,451)
Net cash used in investing activities	(11,721)	(6,830)	(15,339)
Financing activities:			
Repayment of mortgages	(8,118)	(19,621)	(1,989)
Proceeds from mortgages and construction loans	11,081	28,331	15,794
Deferred financing costs	(270)	(663)	2
Proceeds from exercise of stock options	1,744	75	2,021
Repurchase of Company stock-Treasury shares	(1,075)	-	-
Dividends paid	(8,883)	(9,458)	(7,854)
Distribution to minority interest	(1,093)	(998)	(780)
Contributions by minority interest	-	481	-
Net cash (used in) provided by financing activities	(6,614)	(1,853)	7,194
Net (decrease) increase in cash and cash equivalents	(4,548)	3,124	3,944
Cash and cash equivalents, beginning of year	12,740	9,616	5,672
Cash and cash equivalents, end of year	\$ 8,192	\$ 12,740	\$ 9,616
Supplemental disclosure of cash flow data:			
Interest paid, including capitalized construction period interest of \$348, \$234 and \$581 in fiscal 2008, 2007 and 2006, respectively.	\$ 11,177	\$ 11,669	\$ 11,462
Income taxes paid	\$ 50	\$ 20	\$ 19
Supplemental schedule of non cash financing activities:			
Accrued capital expenditures, construction costs and pre-development costs	\$ -	\$ 1,910	\$ 2,445
Dividends declared but not paid	\$ 2,084	\$ 2,704	\$ 3,375

See Notes to Consolidated Financial Statements.

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and significant accounting policies:

Organization:

First Real Estate Investment Trust of New Jersey ("FREIT") was organized November 1, 1961 as a New Jersey Business Trust. FREIT is engaged in owning residential and commercial income producing properties located primarily in New Jersey, Maryland and New York.

FREIT 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, FREIT does not pay federal income tax on income whenever income distributed to shareholders is equal to at least 90% of real estate investment trust taxable income. Further, FREIT pays no federal income tax on capital gains distributed to shareholders.

FREIT is subject to federal income tax on undistributed taxable income and capital gains. FREIT 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.

Principles of consolidation:

In December 2003, the Financial Accounting Standards Board ("FASB") issued revised FIN 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51." ("FIN 46R"). FIN 46R requires the consolidation of certain entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity (variable interest entities, or "VIEs"). Entities are generally consolidated by an enterprise when it has a controlling financial interest through ownership of a majority voting interest in the entity. FIN 46R is applicable for financial statements of public entities that have interests in VIEs or potential VIEs referred to as special-purpose entities for periods ending after December 31, 2003.

In accordance with the definition of related parties as defined in paragraph 16 of FIN 46R and the guidance in paragraph 4h, it is the belief of the management of FREIT that FIN 46R is applicable to Westwood Hills, LLC and Wayne Preakness, LLC, both 40% owned by FREIT. Because of this determination, FREIT has consolidated these two entities in its consolidated financial statements.

Accordingly, the consolidated financial statements include the accounts of FREIT and its following significant subsidiaries:

<u>Subsidiary</u>	<u>Owning Entity</u>	<u>% Ownership</u>	<u>Year Acquired/Organized</u>
S and A Commercial Associates Limited Partnership ("S and A")	FREIT	65%	2000
Westwood Hills, LLC	FREIT	40%	1994
Damascus Centre, LLC ("Damascus")	FREIT	70%	2003
Damascus Second, LLC	FREIT	70%	2008
Wayne PSC, LLC	FREIT	40%	2002
Pierre Towers, LLC	S and A	100%	2004
Grande Rotunda, LLC	FREIT	60%	2005
WestFREIT Corp	FREIT	100%	2007
WestFredic LLC	FREIT	100%	2007

The consolidated financial statements include 100% of each subsidiary's assets, liabilities, operations and cash flows with the interests not owned by FREIT reflected as "minority interest". All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents:

Financial instruments that potentially subject FREIT to concentrations of credit risk consist primarily of cash and cash equivalents. FREIT considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. FREIT maintains its cash and cash equivalents in bank and other accounts, the balances of which, at times, may exceed Federally insured limits. During Fiscal 2008, Federally Insured limits were temporarily increased from \$100,000 to \$250,000 through December 31, 2009. At October 31, 2008 and 2007, such cash and cash equivalent balances exceeded Federally insured limits by approximately \$6.0 million and \$10.5 million, respectively. Exposure to credit risk is reduced by placing such deposits with high credit quality financial institutions.

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.

Impairment of long-lived assets:

Impairment losses on long-lived assets, such as real estate and equipment, are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses are then measured by comparing the fair value of assets to their carrying amounts.

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. Amortization of such costs is included in interest expense and approximated \$371,000, \$277,000 and \$246,000 in 2008, 2007 and 2006, respectively. Deferred leasing commissions are amortized on the straight-line method over the terms of the applicable leases.

Revenue recognition:

Income from leases is recognized on a straight-line basis regardless of when payment is due. Lease agreements between FREIT 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 FREIT, when billed to tenants, or ratably over the appropriate period.

Interest rate swap contract:

FREIT utilizes derivative financial instruments to reduce interest rate risk. FREIT does not hold or issue derivative financial instruments for trading purposes. FREIT recognizes all derivatives as either assets or liabilities in the consolidated balance sheet and measures those instruments at fair value. Changes in fair value of those instruments are reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the effect on the consolidated financial statements depends on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows or the assets or liabilities hedged.

Advertising:

FREIT expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations amounted to approximately \$132,000, \$109,000 and \$115,000 in 2008, 2007 and 2006, respectively.

Stock-based compensation:

At October 31, 2008, FREIT has a stock-based employee compensation plan that was approved on September 10, 1998 by the Board of Trustees, which is described more fully in Note 10. Effective November 1, 2005, FREIT adopted the fair value recognition provisions of SFAS 123 (R), using the modified-prospective-transition method. Under that transition method, compensation cost includes a cost for all share-based payments granted prior to, but not vested as of November 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and compensation cost for all share-based payments granted subsequent to November 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123 (R).

As all outstanding stock options were vested prior to November 1, 2005 and no stock options were granted during Fiscal 2006, the adoption of Statement 123 (R) had no effect on FREIT's results of operations for the year ended October 31, 2006.

In accordance with the provisions of APB 25, prior to November 1, 2005, FREIT recognized compensation cost as a result of the issuance of stock options to employees, including directors, based on the excess, if any, of the fair value of the underlying shares at the date of grant or award (or at an appropriate subsequent measurement date) over the amount the employees must pay to acquire the shares (the “intrinsic value method”). However, FREIT did not recognize compensation cost as a result of any grants to employees at an exercise price that was equal to or greater than fair value. FREIT made proforma disclosures, as required by FASB Statement No. 123 and SFAS 148, of net income or loss as if a fair value based method of accounting for stock options had been applied if such amounts differed materially from the historical amounts.

All issuances of shares of beneficial interest, options or other equity instruments to nonemployees as the consideration for goods or services received by FREIT are accounted for based on the fair value of the equity instruments issued (unless the fair value of the consideration received can be more reliably measured). The fair value of any options or similar equity instruments issued is estimated based on option pricing models and the assumption that all of the options or other equity instruments will ultimately vest. Such fair value is measured as of an appropriate date pursuant to EITF Issue 96-18 (generally, the earlier of the date the other party becomes committed to provide the goods or services or the date performance by the other party is complete) and capitalized or expensed as if FREIT had paid cash for the goods or services.

Recent accounting pronouncements:

In June 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109” (“FIN 48”), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for our fiscal year beginning November 1, 2007. The adoption of FIN 48 did not have a material impact on our financial statements for the year ended October 31, 2008.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (“GAAP”), and expands disclosures about fair value measurements. This new standard does not require fair values to be used in any situations not already covered by GAAP; however, for some entities, the application of this standard will change current practice. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS 157 did not have a material impact on our financial statements for the year ended October 31, 2008.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115” (“SFAS 159”). This new standard allows companies to measure certain financial assets and liabilities at fair value, rather than at historic cost. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Once the fair value option is elected, the decision is irrevocable. This statement is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. The adoption of SFAS 159 is not anticipated to have a material impact on our financial statements.

On December 4, 2007, the FASB issued two new accounting standards, Statement of Financial Accounting Standards No. 141R, “Business Combinations” (“SFAS 141R”), and No. 160, “Non-Controlling Interests in Consolidated Financial Statements – an amendment of ARB No. 51” (“SFAS 160”). The standards are effective for fiscal years beginning after December 15, 2008 and earlier adoption is prohibited.

- The objective of SFAS 141R is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, this Statement establishes principles and requirements for how the acquirer:
 - (a) Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree;
 - (b) Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase;
 - (c) Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

- The objective of SFAS 160 is to improve the relevance, comparability and transparency of financial information provided to investors by: (i) Requiring all entities to report non-controlling interests (minority interests) as equity in the consolidated financial statements and separate from the parent's equity; (ii) Requiring that the amount of net income attributable to the parent and non-controlling interest be clearly identified and presented on the face of the consolidated statement of income; and (iii) Expanding the disclosure requirements with respect to the parent and its non-controlling interests.

The effect of the adoption of SFAS 141R will be dependent upon future acquisition activity, if any, of the Company.

Adoption of SFAS 160 will require separate presentation in the statement of undistributed earnings of the changes in the non-controlling members' interests, as well as balance sheet presentation of such interests as a separate component of Shareholders' Equity. When adopted, SFAS 160 requires retrospective application for all periods presented.

Reclassifications:

Certain accounts in the 2007 and 2006 consolidated financial statements have been reclassified to conform to the current presentation. (See Note 14.)

Note 2 – Minority Interests:

FREIT's 40% owned subsidiary, Westwood Hills, LLC ("LLC") had a capital deficit resulting from distributions to members, including proceeds received on refinancing the mortgage on the residential building owned by LLC. Prior to June 1, 2007, minority members were under no legal obligation to restore their share of the capital deficit, and as a result cash distributions made to minority members of LLC were charged to expense.

Effective June 1, 2007, the Operating Agreement of LLC was amended by a majority of the Members of LLC to require the Members to restore their negative capital accounts caused by any future losses, distributions from operations or net refinancing proceeds from the effective date of this amendment forward. As a result of this amendment, future minority interest distributions by LLC in excess of allocated income will be recorded as a receivable from minority members and no longer impact FREIT's net income.

Note 3 – Dispositions and Acquisitions:

During fiscal 2005, FREIT's 60% owned subsidiary, Grande Rotunda, LLC, completed the acquisition of The Rotunda, a mixed-use property in Baltimore, MD for \$31 million, which was financed in part from an acquisition loan in the amount of \$22.5 million, and the balance in cash. (See Notes 5 & 8)

It is FREIT's policy that initial valuations are finalized, in accordance with the guidelines outlined in SFAS No. 141, "Business Combinations", no later than six months from the acquisition date. Accordingly, as of January 31, 2006, based on the above independent appraisal and FREIT's evaluation of the acquired in-place leases, the purchase price was re-allocated as follows: approximately \$15.8 million allocated to the building, \$16.6 million to the land, \$0.9 million to leases in place, \$0.9 million to leases at above market rents, and approximately \$3.3 million to leases at below market rents which was recorded as a liability.

The capitalized above-market lease values, classified as other assets, are being amortized as a reduction of base rental revenue over the remaining term of the leases, and the capitalized below-market lease values are being amortized as an increase to base rental revenue over the remaining terms of the leases, including renewal options. The value ascribed to leases in place, also classified as other assets, is being amortized over the weighted average remaining lease terms as calculated above.

On June 26, 2007, FREIT closed on its contract for the sale of the Lakewood Apartments in Lakewood, NJ. The sales price for the property was \$4 million. The property was acquired in 1962 for approximately \$407,000. For financial reporting purposes, FREIT recognized a gain of approximately \$3.7 million from the sale. (See Note 14.)

On September 28, 2007, FREIT acquired three parcels of land in Rochelle Park, NJ totaling approximately one acre. The acquisition cost was approximately \$2.5 million, of which \$1.6 million relates to the land and \$0.9 million relates to an advance to the Pascack Community Bank, the lessee, for construction of a bank branch on the site.

FREIT structured the Lakewood sale and the subsequent purchase of the land in Rochelle Park in a manner that would qualify as a like-kind exchange of real estate pursuant to Section 1031 of the Internal Revenue Code, which resulted in a deferral for income tax purposes of \$1.6 million of the gain on the Lakewood sale. Since it is the intention of FREIT to continue to qualify as a real estate investment trust, deferred tax would be minimal.

Note 4 - Real estate and equipment:

Real estate and equipment consists of the following:

	Range of Estimated Useful Lives	October 31,	
		2008	2007
(In thousands of dollars)			
Land		\$ 71,637	\$ 70,455
Unimproved land		731	729
Apartment buildings	7-40 years	79,875	79,279
Commercial buildings/shopping centers	15-50 years	102,242	94,326
Equipment/Furniture	3-15 years	2,497	2,408
		<u>256,982</u>	<u>247,197</u>
Less accumulated depreciation		48,027	42,465
Totals		<u>\$ 208,955</u>	<u>\$ 204,732</u>

Note 5 – Mortgages, notes payable and credit line:

	October 31,	
	2008	2007
(In Thousands of Dollars)		
Nationwide Life Insurance Cos. - Frederick, MD (A)	\$ 22,000	\$ 22,000
State Farm Bank - Rockaway, NJ (B)	20,190	20,487
National Realty Funding L.C - Westwood, NJ (C)	9,021	9,226
Centerline Capital Group - Spring Lake Heights, NJ (D)	3,159	3,231
Bank of America - Patchogue, NY (E)	-	5,929
Oritani - Patchogue, NY (E)	5,953	-
Centerline Capital Group - Wayne, NJ (F):		
First mortgage	9,407	9,624
Second mortgage	3,169	3,261
Centerline Capital Group - River Edge, NJ (G):		
First mortgage	4,594	4,698
Second mortgage	1,778	1,826
Centerline Capital Group - Maywood, NJ (H):		
First mortgage	3,333	3,409
Second mortgage	1,261	1,296
Centerline Capital Group - Westwood, NJ (I):		
First mortgage	13,255	13,556
Second mortgage	2,955	3,033
MetLife - Wayne, NJ (J)	30,571	31,188
State Farm Life Insurance Co. - Hackensack, NJ (K)	34,125	34,125
Total fixed rate mortgage loans	<u>164,771</u>	<u>166,889</u>
Bank of America - Baltimore, MD (L)	22,500	22,500
Bank of America – Damascus, MD (M)		
Construction Loan	<u>5,081</u>	<u>-</u>
Total mortgages and notes payable	<u>\$ 192,352</u>	<u>\$ 189,389</u>

- (A) Payable in monthly installments of interest only computed over the actual number of days in the elapsed monthly interest period at the rate of 5.55% through May 2017 at which time the outstanding balance is due. The mortgage is secured by a retail building in Frederick, Maryland having a net book value of approximately \$19,994,000.
- (B) Payable in monthly installments of \$115,850 including interest at 5.37% through February 2022 at which time the outstanding balance is due. The mortgage is secured by a residential building in Rockaway, New Jersey having a net book value of approximately \$20,029,000.
- (C) Payable in monthly installments of \$73,248 including interest at 7.38% through February 2013 at which time the outstanding balance is due. The mortgage is secured by a retail building in Westwood, New Jersey having a net book value of approximately \$10,231,000.

- (D) Payable in monthly installments of \$23,875 including interest at 6.70% through December 2013 at which time the outstanding balance is due. The mortgage is secured by an apartment building in Spring Lake Heights, New Jersey having a net book value of approximately \$496,000.
- (E) Payable in monthly installments of \$17,500 plus interest at the thirty-day LIBOR rate plus 200 basis points through March 2008. On February 29, 2008, the unpaid principal amount of this loan of approximately \$5.9 million was refinanced with a \$6 million mortgage loan bearing a fixed interest rate of 6.125%, with a ten (10) year term, and payable according to a thirty (30) year amortization schedule. Under the terms of the mortgage loan agreement, FREIT can request, during the term of the loan, additional fundings that will bring the outstanding principal balance up to 75% of loan-to-value (percentage of mortgage loan to total appraised value of property securing the loan). The mortgage is secured by a retail building in Patchogue, New York having a net book value of approximately \$8,495,000.
- (F) The first mortgage is payable in monthly installments of \$76,023 including interest at 7.29% through July 2010 at which time the outstanding balance is due. The second mortgage is payable in monthly installments of \$20,878 including interest at 4.92% through July 2010 at which time the outstanding balance is due. The mortgages are secured by an apartment building in Wayne, New Jersey having a net book value of approximately \$1,386,000.
- (G) The first mortgage is payable in monthly installments of \$34,862 including interest at 6.75% through December 2013 at which time the outstanding balance is due. The second mortgage is payable in monthly installments of \$12,318 including interest at 5.53% through December 2013 at which time the outstanding balance is due. The mortgages are secured by an apartment building in River Edge, New Jersey having a net book value of approximately \$1,322,000.
- (H) The first mortgage is payable in monthly installments of \$25,295 including interest at 6.75% through December 2013 at which time the outstanding balance is due. The second mortgage is payable in monthly installments of \$8,739 including interest at 5.53% through December 2013 at which time the outstanding balance is due. The mortgages are secured by an apartment building in Maywood, New Jersey having a net book value of approximately \$704,000.
- (I) The first mortgage is payable in monthly installments of \$99,946 including interest at 6.693% through December 2013 at which time the outstanding balance is due. The second mortgage is payable in monthly installments of \$21,954 including interest at 6.18% through December 2013 at which time the outstanding balance is due. The mortgages are secured by an apartment building in Westwood, New Jersey having a net book value of approximately \$12,067,000.
- (J) Payable in monthly installments of interest only of \$161,067 at the rate of 6.04% through June 2006, thereafter payable in monthly installments of \$206,960 including interest until June 2016 at which time the unpaid balance is due. The mortgage is secured by a shopping center in Wayne, NJ having a net book value of approximately \$30,941,000.
- (K) Payable in monthly installments of interest only of \$152,994 at the rate of 5.38% through May 2009, thereafter payable in monthly installments of \$191,197 including interest until May 2019 at which time the unpaid balance is due. The mortgage is secured by an apartment building in Hackensack, NJ having a net book value of approximately \$43,885,000.
- (L) Acquisition loan to Grande Rotunda, LLC; payable in monthly installments of interest only. The interest rate varies from time-to-time based on the borrower's election of 150 basis points over the various LIBOR rates, or the Lender's prime rate. The loan was due on July 19, 2008, but was extended for one year to July 19, 2009. FREIT guarantees payment of up to 35% of the outstanding principal amount of the loan plus accrued interest if borrower defaults, however, Rotunda 100, LLC (a 40% joint venture partner in Grande Rotunda, LLC) has indemnified FREIT for up to 40% of any losses under its guaranty. The loan is secured by a mixed-use property in Baltimore, MD having a net book value of approximately \$37,189,000.
- (M) On February 12, 2008, Damascus Second, LLC closed on a \$27.3 million construction loan, secured by the shopping center owned by Damascus Centre, LLC located in Damascus, MD. This loan has a term of forty-eight (48) months, with one twelve (12) month extension option. Draws against this loan bear interest at a floating rate equal to 135 basis points over the BBA LIBOR daily floating rate. As of October 31, 2008, Damascus drew down \$5.1 million of this loan to cover construction costs. FREIT guarantees 30% of the outstanding principal amount of the loan plus other costs, if borrower defaults, however, Damascus 100, LLC (a 30% joint venture partner in Damascus Centre, LLC) has indemnified FREIT for up to 30% of any losses under its guaranty. The shopping center securing the loan has a net book value of approximately \$17,666,000.

The fair value of FREIT's long-term debt, which approximates \$196.2 million and \$188.7 million at October 31, 2008 and 2007, respectively, is estimated based on the current rates offered to FREIT for debt of the similar remaining maturities.

Principal amounts (in thousands of dollars) due under the above obligations in each of the five years subsequent to October 31, 2008 are as follows:

Year Ending October 31,	Amount
2009	\$ 25,037
2010	\$ 14,899
2011	\$ 2,791
2012	\$ 8,047
2013	\$ 10,914

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.

In connection with its construction activities in Rockaway, NJ, FREIT utilized the credit line for the issuance of a \$384,000 Letter of Credit. As of October 31, 2008, approximately \$17.6 million is available under the line of credit.

Note 6 - Interest rate swap contract:

During November 2002, FREIT entered into an interest rate swap contract to reduce the impact of interest rate fluctuations on its variable rate mortgage secured by its Patchogue, NY property. The derivative financial instrument had a notional amount of approximately \$5.9 million and a maturity date of March 2008. The swap contract effectively converted the variable rate to a fixed rate of 5.95%. In accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", FREIT marks to market its fixed pay interest rate swaps, taking into account present interest rates compared to the contracted fixed rate over the life of the contract. FREIT's variable rate mortgage loan of approximately \$5.9 million with a maturity date of January 2, 2008, was extended to February 29, 2008. However, the interest rate swap contract was terminated on January 2, 2008. As of October 31, 2007 and 2006, FREIT recorded the fair value of the swap, an asset of \$14,000 and \$87,000, respectively. Comprehensive income included losses related to the swap of \$73,000 and \$9,000 in 2007 and 2006, respectively, which had been designated as a cash flow hedge. The variable interest rate mortgage was refinanced on February 29, 2008 with a \$6 million mortgage loan bearing a fixed interest rate of 6.125%, with a ten (10) year term. Under the terms of the mortgage loan agreement, FREIT can request, during the term of the loan, additional fundings that will bring the outstanding principal balance up to 75% of loan-to-value (percentage of mortgage loan to total appraised value of property securing the loan).

Note 7 - Commitments and contingencies:

Leases:

Commercial tenants:

FREIT leases commercial space having a net book value of approximately \$135.9 million at October 31, 2008 to tenants for periods of up to twenty-five 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 non-cancelable operating leases in years subsequent to October 31, 2008 is as follows:

Year Ending October 31,	Amount
2009	\$ 15,711
2010	14,442
2011	13,568
2012	10,775
2013	9,284
Thereafter	48,264
Total	<u>\$ 112,044</u>

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. Rental income that is contingent on future events is not included in income until the contingency is resolved. Contingent rentals included in income for each of the three years for the period ended October 31, 2008 were not material.

Residential tenants:

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

Environmental concerns:

In accordance with applicable regulations, FREIT reported to the New Jersey Department of Environmental Protection ("NJDEP") that a historical discharge of hazardous material was discovered in 1997 at the renovated Franklin Lakes shopping center (the "Center").

In November 1999, FREIT received a no further action letter from the NJDEP concerning the historical discharge at the Center. However, FREIT is required to continue monitoring such discharge, the cost of which will not be material.

Construction 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. Building plans for Phase I have been approved and 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. On February 12, 2008, Damascus Centre, LLC closed on a \$27.3 million construction loan that is available to fund already expended and future construction costs. This loan will be drawn upon as needed. As of October 31, 2008, Damascus drew down \$5.1 million of this loan to cover construction costs. Because of this expansion, leases for certain tenants have been allowed to expire and not renewed. This has caused occupancy to decline, on a temporary basis, during the construction phase.

Note 8 - 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 \$1,708,000, \$1,656,000 and \$1,577,000 in 2008, 2007 and 2006, respectively, inclusive of \$13,000 and \$21,000 in 2007 and 2006, respectively, included in discontinued operations in the accompanying consolidated statements of income. Total Hekemian management fees that were unpaid at October 31, 2008 and 2007 were \$146,000 and \$155,000, respectively. The agreement expires on October 31, 2009, and is automatically renewed for periods of two years unless either party gives notice of non-renewal.

Grande Rotunda, LLC ("Grande") owns and operates The Rotunda, which is a mixed-use office and retail facility located in Baltimore, Maryland. FREIT owns a 60% equity interest in Grande, and Rotunda 100, LLC owns a 40% equity interest.

Damascus Centre, LLC ("Damascus"), owns and operates the Damascus Shopping Center in Damascus, Maryland. During fiscal 2005, FREIT's Board of Trustees authorized an investor group, Damascus 100, LLC, to acquire a 30% equity interest in Damascus Centre, LLC. The sale price, based on the fair market value of the shopping center, reduced FREIT's equity interest to 70%. The sale was completed on October 31, 2006, at a sales price of \$3,224,000, of which FREIT financed approximately \$1,451,000. The sale price was equivalent to the book value of the interest sold.

The equity owners of Rotunda 100, LLC, and Damascus 100, LLC are principally employees of Hekemian. To incentivize the employees of Hekemian, FREIT has agreed to advance, only to employees of Hekemian, up to 50% of the amount of the equity contributions that the Hekemian employees are required to invest in Rotunda 100, LLC and Damascus 100, LLC. These advances are in the form of secured loans that bear interest that will float at 225 basis points over the ninety (90) day LIBOR rate, as adjusted each November 1, February 1, May 1 and August 1. Interest only payments are required to be made quarterly. No principal payments are required during the term of the notes, except that the borrowers are required to pay to FREIT all refinancing proceeds and other cash flow they receive from their interests in Damascus and Grande. These payments shall be applied first

to accrued and unpaid interest and then any outstanding principal. The notes mature at the earlier of (a) ten (10) years after issue (Grande – 7/19/2015, Damascus – 9/30/2016), or, (b) at the election of FREIT, ninety (90) days after the borrower terminates employment with Hekemian, at which time all outstanding unpaid principal is due. Outstanding balances at October 31, 2008 and 2007 were \$3,326,000. On May 8, 2008, FREIT's Board of Trustees approved amendments to the existing loan agreements with the Hekemian & Co. employees, relative to their interests in Rotunda 100, LLC, to increase the aggregate amount that FREIT may advance to such employees from \$2 million to \$4 million. No other terms of the loan agreements were amended.

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. During the 4th quarter of Fiscal 2007, FREIT's Board of Trustees approved development fee arrangements for The Rotunda and Damascus Center redevelopment projects, as well as the South Brunswick development project. In connection with the development activities at The Rotunda, agreements for the payments for development services to be provided by Hekemian Development Resources LLC ("Resources") have been approved. With regards to the redevelopment activities at the Damascus Shopping Center, definitive contract agreements for the development services to be provided by Resources have been approved and executed. The development fee arrangement for The Rotunda provides for Resources to receive a fee equal to 6.375% of the total development costs of up to \$136 million (as may be modified), and the fee for the redevelopment of the Damascus Shopping Center will be an amount equal to 7% of the redevelopment costs of up to approximately \$17.3 million (as may be modified). As of October 31, 2008, FREIT incurred and paid to Resources fees of \$1,000,000 and \$750,000 for development activities at The Rotunda and Damascus Shopping Center, respectively. These fees have been capitalized and are included in Construction in Progress on FREIT's Consolidated Balance Sheet as of October 31, 2008. Resources, Rotunda 100, LLC, and Damascus 100, LLC are principally owned by employees of Hekemian, including certain members of the immediately family of Robert S. Hekemian, FREIT's CEO and Chairman, and Robert S. Hekemian, Jr., a trustee of FREIT, and the members of the Hekemian family have majority management control of these entities. In connection with the development activities at South Brunswick, the fees with respect to this project are 7% of development costs of up to \$21,000,000 (as may be modified). A definitive contract regarding the specific services to be provided at the South Brunswick project has not yet been finalized and approved. Development and acquisition fees and commissions charged to FREIT by Hekemian in connection with the sale of the Lakewood Apartments during fiscal 2007; the development and construction of The Boulders, Rockaway, NJ, during fiscal 2006; and various mortgage refinancings and lease acquisitions, amounted to approximately \$325,000, \$1,016,000 and \$721,000 in 2008, 2007 and 2006, respectively.

Note 9- Dividends and earnings per share:

FREIT declared dividends of \$8,263,000 (\$1.20 per share), \$8,787,000 (\$1.30 per share) and \$8,313,000 (\$1.25 per share) to shareholders of record during 2008, 2007 and 2006, respectively.

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during each period. 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 each of the three years in the period ended October 31, 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:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Basic weighted average shares outstanding	6,835,269	6,753,282	6,573,752
Shares arising from assumed exercise of stock options	-	163,189	242,722
Dilutive weighted average shares outstanding	<u>6,835,269</u>	<u>6,916,471</u>	<u>6,816,474</u>

Note 10- Equity incentive plan:

On September 10, 1998, the Board of Trustees approved FREIT's Equity Incentive Plan (the "Plan") which was ratified by FREIT's shareholders on April 7, 1999, whereby up to 920,000 of FREIT's shares of beneficial interest (adjusted for stock splits) may be granted to key personnel in the form of stock options, restricted share awards and other share-based awards. In connection therewith, the Board of Trustees approved an increase of 920,000 shares in FREIT's number of authorized shares of beneficial interest. Key personnel eligible for these awards include trustees, executive officers and other persons or entities including, without limitation, employees, consultants and employees of consultants, who are in a position to make significant contributions to the success of FREIT. Under the Plan, the exercise price of all options will be the fair market value of the shares on the date of grant. The consideration to be paid for restricted share and other share-based awards shall be determined by

the Board of Trustees, with the amount not to exceed the fair market value of the shares on the date of grant. The maximum term of any award granted may not exceed ten years. The Board of Trustees will determine the actual terms of each award.

Upon ratification of the Plan on April 7, 1999, FREIT issued 754,000 stock options (adjusted for stock splits), which it had previously granted to key personnel on September 10, 1998. The fair value of the options on the date of grant was \$7.50 per share.

On April 4, 2007, FREIT shareholders approved amendments to FREIT's Equity Incentive Plan as follows: (a) reserving an additional 300,000 shares for issuance under the Plan; and (b) extending the term of the Plan until September 10, 2018.

The following table summarizes stock option activities:

	Years Ended October 31,					
	2008		2007		2006	
	No. of Options Outstanding	Average Exercise Price	No. of Options Outstanding	Average Exercise Price	No. of Options Outstanding	Average Exercise Price
Balance beginning of period	232,500	\$ 7.50	242,500	\$ 7.50	512,000	\$ 7.50
Grants during period	-		-		-	
Options exercised	(232,500)	\$ 7.50	(10,000)	\$ 7.50	(269,500)	\$ 7.50
Options cancelled	-		-		-	
Balance at end of period	<u>0</u>	<u>\$ 7.50</u>	<u>232,500</u>	<u>\$ 7.50</u>	<u>242,500</u>	<u>\$ 7.50</u>

The impact on FREIT's consolidated shareholders' equity for the options that were exercised during fiscal 2008, 2007 and 2006 was to increase the number of shares outstanding by the amount of options exercised and values of beneficial interest outstanding by \$1,744,000, \$75,000 and \$2,021,000, respectively, for those fiscal years. There were no options outstanding at October 31, 2008, since all options expired in September 2008 and were exercised prior to that date.

The total intrinsic value of options exercised during Fiscal 2008, 2007 and 2006 was \$3,650,000, \$173,000 and \$4,868,000, respectively and the aggregate intrinsic value of options outstanding at October 31, 2008, 2007 and 2006 was \$0, \$3,511,000 and \$3,900,000, respectively.

Note 11- Share repurchase program:

On April 9, 2008, FREIT's Board of Trustees authorized up to \$2 million for the repurchase of FREIT shares commencing three (3) days after the announcement of its operating results for the quarter ended April 30, 2008. Share repurchases under this program may be made from time to time in the open market or through privately negotiated transactions, depending on trading prices of FREIT shares and other market conditions. This share repurchase program may be limited or terminated at any time and without prior notice. As of October 31, 2008, FREIT repurchased 46,720 shares of common stock at a cost of \$1,075,000, which is reflected in the Shareholders' Equity section of FREIT's consolidated balance sheet.

Note 12- Deferred fee plan:

During fiscal 2001, the Board of Trustees adopted a deferred fee plan (the "Plan") for its officers and trustees. Pursuant to the Plan, any officer or trustee may elect to defer receipt of any fees that would be due them. FREIT has agreed to pay any participant (the "Participant") in the Plan interest on any deferred fee at 9% per annum, compounded quarterly. Any such deferred fee is to be paid to the Participants at the later of: (i) the retirement age specified in the deferral election; (ii) actual retirement; or (iii) upon cessation of a Participant's duties as an officer or trustee. The Plan provides that any such deferral fee will be paid in a lump sum or in annual installments over a period not to exceed 10 years, at the election of the Participant. As of October 31, 2008 and 2007, approximately \$2,381,000 and \$1,924,000, respectively, of fees have been deferred together with accrued interest of approximately \$765,000 and \$520,000, respectively. The deferred amounts for fiscal 2008 and 2007 are included in accrued expenses in the accompanying consolidated balance sheets.

Note 13- Segment information:

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," established standards for reporting financial information about operating segments in interim and annual financial reports and provides for a "management approach" in identifying the reportable segments.

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 and residential segments contained the following number of properties during the three fiscal years ended October 31, 2008:

	October 31,		
	2008	2007	2006
Commercial segment	10	10(a)	9
Residential segment	9	9(b)	10(c)
(a) Rochelle Park land acquired September 2007.			
(b) Lakewood Apartments sold in June 2007.			
(c) Rockaway property, under construction since Fiscal 2005, started coming on line for rental during June 2006.			

The accounting policies of the segments are the same as those described in Note 1.

The chief operating 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 is based on operating revenue and expenses directly associated with the operations of the real estate properties, but excludes deferred rents (straight lining), depreciation, financing costs and amortization of acquired lease values. NOI is not a measure of operating results or cash flows from operating activities as measured by accounting principles generally accepted in the United States of America, 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.

Continuing 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 each of the three years in the period ended October 31, 2008. Asset information is not reported since FREIT does not use this measure to assess performance.

	2008	2007	2006
	(In Thousands of Dollars)		
Real estate rental revenue:			
Commercial	\$ 22,816	\$ 21,513	\$ 21,094
Residential	19,191	18,626	15,967
Totals	<u>42,007</u>	<u>40,139</u>	<u>37,061</u>
Real estate operating expenses:			
Commercial	8,817	8,621	8,464
Residential	8,179	8,052	7,194
Totals	<u>16,996</u>	<u>16,673</u>	<u>15,658</u>
Net operating income:			
Commercial	13,999	12,892	12,630
Residential	11,012	10,574	8,773
Totals	<u>\$ 25,011</u>	<u>\$ 23,466</u>	<u>\$ 21,403</u>
Recurring capital improvements- residential	<u>\$ 424</u>	<u>\$ 460</u>	<u>\$ 368</u>
Reconciliation to consolidated net income:			
Segment NOI	\$ 25,011	\$ 23,466	\$ 21,403
Deferred rents - straight lining	237	298	342
Amortization of acquired leases	96	301	490
Net investment income	554	634	232
Minority interest in earnings of subsidiaries	(1,138)	(776)	(407)
General and administrative expenses	(1,542)	(1,543)	(1,212)
Depreciation	(5,622)	(5,311)	(4,726)
Financing costs	(11,557)	(11,897)	(11,127)
Income from continuing operations	<u>6,039</u>	<u>5,172</u>	<u>4,995</u>
Discontinued operations	<u>-</u>	<u>3,771</u>	<u>163</u>
Net income	<u>\$ 6,039</u>	<u>\$ 8,943</u>	<u>\$ 5,158</u>

Note 14- Discontinued operations:

On June 26, 2007, FREIT closed on its contract for the sale of the Lakewood Apartments in Lakewood, New Jersey and recognized a gain of approximately \$3.7 million from the sale. In compliance with current accounting guidance (SFAS No. 144 – “Accounting for the Impairment or Disposal of Long-Lived Assets”), the gain on the sale, as well as earnings of the Lakewood operation, are classified as discontinued operations in the accompanying income statements, and prior periods’ income statements have been reclassified. Revenue attributable to discontinued operations was \$268,000 and \$412,000 for Fiscal 2007 and 2006, respectively.

Note 15- Quarterly data (unaudited):

The following summary represents the results of operations for each quarter for the years ended October 31, 2008 and 2007 (in thousands, except per share amounts):

2008:	Quarter Ended			
	Jan 31,	Apr 30,	Jul 31,	Oct 31,
Revenue	\$ 10,616	\$ 10,403	\$ 10,852	\$ 11,023
Expenses	9,213	9,166	8,933	9,543
Income from continuing operations	1,403	1,237	1,919	1,480
Income from discontinued operations	-	-	-	-
Net income	\$ 1,403	\$ 1,237	\$ 1,919	\$ 1,480
Basic earnings per share:				
Continuing	\$ 0.21	\$ 0.18	\$ 0.28	\$ 0.21
Discontinued	-	-	-	-
Net income	\$ 0.21	\$ 0.18	\$ 0.28	\$ 0.21
Diluted earnings per share:				
Continuing	\$ 0.20	\$ 0.18	\$ 0.28	\$ 0.21
Discontinued	-	-	-	-
Net income	\$ 0.20	\$ 0.18	\$ 0.28	\$ 0.21
Dividends declared per share	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30

2007:	Quarter Ended			
	Jan 31,	Apr 30,	Jul 31,	Oct 31,
Revenue	\$ 10,193	\$ 10,087	\$ 10,598	\$ 10,494
Expenses	9,389	8,990	9,050	8,771
Income from continuing operations	804	1,097	1,548	1,723
Income from discontinued operations	42	34	3,695	-
Net income	\$ 846	\$ 1,131	\$ 5,243	\$ 1,723
Basic earnings per share:				
Continuing	\$ 0.12	\$ 0.16	\$ 0.23	\$ 0.26
Discontinued	0.01	0.01	0.55	-
Net income	\$ 0.13	\$ 0.17	\$ 0.78	\$ 0.26
Diluted earnings per share:				
Continuing	\$ 0.11	\$ 0.16	\$ 0.22	\$ 0.25
Discontinued	0.01	-	0.54	-
Net income	\$ 0.12	\$ 0.16	\$ 0.76	\$ 0.25
Dividends declared per share	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.40

Note: Due to rounding, total of quarterly per share amounts may not agree to amounts reported for the full fiscal year.

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FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES

SCHEDULE XI - REAL ESTATE AND ACCUMULATED DEPRECIATION

October 31, 2008

(In Thousands of Dollars)

Column A Description	Column B Encumbrances	Column C Initial Cost to Company		Column D Costs Capitalized Subsequent to Acquisition			Column E Gross Amount at Which Carried at Close of Period			Column F Accumulated Depreciation	Column G Date of Construction	Column H Date Acquired	Column I Life on Which Depreciation is Computed
		Land	Buildings and Improvements	Land	Improvements	Carrying Costs	Land	Buildings and Improvements	Total (1)				
Residential Properties:													
Grandview Apts., Hasbrouck Heights, NJ		\$ 22	\$ 180	\$ -	\$ 317	\$ 22	\$ 497	\$ 519	\$ 394	1925	1964	7-40 years	
Hammel Gardens, Maywood, NJ	\$ 4,594	312	728	-	928	312	1,656	1,968	1,264	1949	1972	7-40 years	
Palisades Manor, Palisades Park, NJ		12	81	-	108	12	189	201	165	1935/70	1962	7-40 years	
Steuben Arms, River Edge, NJ	6,372	364	1,773	-	1,284	364	3,057	3,421	2,099	1966	1975	7-40 years	
Heights Manor, Spring Lake Heights, NJ	3,159	109	974	-	790	109	1,764	1,873	1,377	1967	1971	7-40 years	
Berdan Court, Wayne, NJ	12,576	250	2,206	-	3,038	250	5,244	5,494	4,108	1964	1965	7-40 years	
Westwood Hills, Westwood, NJ	16,210	3,849	11,546	-	1,865	3,849	13,411	17,260	5,194	1965-70	1994	7-40 years	
Pierre Towers, Hackensack, NJ	34,125	8,390	37,486	19	2,885	8,409	40,371	48,780	4,895	1970	2004	7-40 years	
Boulders - Rockaway, NJ	20,190	5,019	-	-	16,189	5,019	16,189	21,208	1,179	2005-2006	1963/1964	7-40 years	
Retail Properties:													
Damascus Shopping Center, Damascus, MD	5,081	2,950	6,987	1,188	7,586	4,138	14,573	18,711	1,045	1960's	2003	15-39 years	
Franklin Crossing, Franklin Lakes, NJ		29	-	3,382	7,582	3,411	7,582	10,993	2,326	1963/75/97	1966	10-50 years	
Glen Rock, NJ		12	36	-	204	12	240	252	131	1940	1962	10-31.5 years	
Pathmark Super Center, Patchogue, NY	5,953	2,128	8,818	-	(20)	2,128	8,798	10,926	2,431	1997	1997	39 years	
Westridge Square S/C, Frederick, MD	22,000	9,135	19,159	37	2,146	9,172 *	21,305	30,477	10,483	1986	1992	15-31.5 years	
Westwood Plaza, Westwood, NJ	9,021	6,889	6,416	-	2,288	6,889	8,704	15,593	5,362	1981	1988	15-31.5 years	
Preakness S/C, Wayne, NJ	30,571	9,280	24,217	-	1,298	9,280	25,515	34,795	4,140	1955/89/00	2002	15-31.5 years	
The Rotunda, Baltimore, MD	22,500	16,263	14,634	232	7,458	16,495	22,092	38,587	1,398	1920	2005	40 Years	
Land Leased:													
Rockaway, NJ		114	-	55	-	169 *	-	169	-	-	-	1963/1964	
Rochelle Park, NJ		1,640	905	-	-	1,640	905	2,545	36	-	-	2007	
Vacant Land:													
Franklin Lakes, NJ		224	-	(156)	-	68	-	68	-	-	-	1966/93	
Wayne, NJ		286	-	-	-	286	-	286	-	-	-	2004	
South Brunswick, NJ		80	-	834	-	914 *	-	914	-	-	-	1964	
		<u>\$ 192,352</u>	<u>\$67,357</u>	<u>\$ 136,146</u>	<u>\$5,591</u>	<u>\$55,946</u>	<u>\$ -</u>	<u>\$72,948</u>	<u>\$ 192,092</u>	<u>\$ 265,040</u>	<u>\$ 48,027</u>		

* Included in land balances are improvements classified under construction in progress.

(1) Total cost for each property is the same for Federal income tax purposes, with the exception of Pierre Towers, Preakness S/C and The Rotunda, whose cost for Federal income tax purposes is approximately \$36.1 million, \$34.7 million and \$31.3 million, respectively.

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY AND SUBSIDIARIES

SCHEDULE XI - REAL ESTATE AND ACCUMULATED DEPRECIATION
(In Thousands of Dollars)

Reconciliation of Real Estate and Accumulated Depreciation:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Real estate:			
Balance, Beginning of year	\$ 254,528	\$ 245,151	\$ 226,281
Additions:			
Buildings and improvements	9,810	10,072	17,424
Adjustments/Deletions - buildings & improvements	702	(695) (a)	1,446
Balance, end of year	<u>\$ 265,040</u>	<u>\$ 254,528</u>	<u>\$ 245,151</u>
Accumulated depreciation:			
Balance, beginning of year	\$ 42,465	\$ 37,843	\$ 33,095
Additions - Charged to operating expenses	5,622	5,311	4,739
Adjustments/Deletions	(60)	(689) (b)	9
Balance, end of year	<u>\$ 48,027</u>	<u>\$ 42,465</u>	<u>\$ 37,843</u>

(a) Relates to the sale of the Lakewood property assets in June 2007

(b) Includes \$594 of accumulated depreciation related to the sale of the Lakewood property in June 2007.

FIRST REAL ESTATE INVESTMENT TRUST OF NEW JERSEY (“FREIT”)

EXHIBIT INDEX

Exhibit No.	
3	Amended and Restated Declaration of Trust of FREIT, as further amended on January 21, 2004, May 15, 2007, and March 4, 2008. (a) .
4	Form of Specimen Share Certificate, Beneficial Interest in FREIT. (b)
10.1	Management Agreement dated April 10, 2002, by and between FREIT and Hekemian & Co., Inc. (c)
10.2	Indemnification Agreements by Damascus 100, LLC and Rotunda 100, LLC to FREIT. (d)
10.3	Notes to Hekemian employees relative to their investments in each of Grande Rotunda, LLC and Damascus Centre, LLC and the related documents (pledge and security agreements and amendments). (e)
10.4	Damascus Center Agency Agreement. (f)
10.5	Wayne PSC, L.L.C. Operating Agreement dated March 25, 2002 between FREIT and H-TPKE, LLC. (g)
10.6	Line of Credit Note in the principal amount of \$14 million executed by FREIT as Borrower, and delivered to The Provident Bank, as Lender, in connection with the Credit Facility provided by The Provident Bank to FREIT. (h)
21	Subsidiaries of FREIT
22	Consent of Eisner LLP
23	Power of Attorney (filed with signature pages).
31.1	Rule 13a-14(a) - Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) - Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer.

The following filings with the Securities and Exchange Commission are incorporated by reference:

Footnote

- (a) Exhibit 3.1 to FREIT’s 8-K filed on March 10, 2008.
- (b) Exhibit 4 to FREIT’s Annual Report on Form 10-K for the fiscal year ended October 31, 1998.
- (c) Exhibit A to FREIT’s Form 8-K filed on April 29, 2002.
- (d) Exhibits 10.1 and 10.2, respectively, to FREIT’s 10-Q for the quarter ended April 30, 2008.
- (e) Exhibits 10.3 and 10.4, respectively, to FREIT’s 10-Q for the quarter ended April 30, 2008.
- (f) Exhibit 10.1 to FREIT’s 10-Q for the quarter ended July 31, 2008.
- (g) Exhibit B to FREIT’s 8-K filed April 29, 2002.
- (h) Exhibit 10 to FREIT’s Form 10-Q filed on September 13, 2002.

SUBSIDIARIES OF REGISTRANT

<u>Name</u>	<u>State of Formation and Organization</u>	<u>Trade Name</u>
S And A Commercial Associates Limited Partnership	Maryland	None
Pierre Towers, LLC *	New Jersey	Pierre Towers
Damascus Centre, LLC	New Jersey	Damascus Center
Damascus Second, LLC	Maryland	None
Westwood Hills, LLC	New Jersey	Westwood Hills
Wayne PSC, LLC	New Jersey	Preakness S/C
Grande Rotunda, LLC	New Jersey	The Rotunda
WestFREIT Corp	Maryland	Westridge Square
WestFredic LLC	Maryland	None

* Owned 100% by S And A Commercial Associates

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Forms S-8 No. 333-79555 and No. 333-142675) pertaining to the Equity Incentive Plan of First Real Estate Investment Trust of New Jersey ("FREIT") of our reports dated January 9, 2009, with respect to the consolidated financial statements and schedule and internal control over financial reporting of FREIT included in the Annual Report (Form 10-K) for the year ended October 31, 2008.

/s/ Eisner LLP

New York, New York
January 9, 2009

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert S. Hekemian his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant, in the capacities, and on the dates indicated have signed this report below:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert S. Hekemian</u> Robert S. Hekemian	Chairman of the Board and Chief Executive Officer and Trustee (Principal Executive Officer)	January 14, 2009
<u>/s/Donald W. Barney</u> Donald W. Barney	President, Treasurer, Chief Financial Officer and Trustee (Principal Financial / Accounting Officer)	January 14, 2009
<u>/s/ Herbert C. Klein</u> Herbert C. Klein	Trustee	January 14, 2009
<u>/s/ Ronald J. Artinian</u> Ronald J. Artinian	Trustee	January 14, 2009
<u>/s/ Alan L. Aufzien</u> Alan L. Aufzien	Trustee	January 14, 2009
<u>/s/ Robert S. Hekemian, Jr</u> Robert S. Hekemian, Jr	Trustee	January 14, 2009
<u>/s/ David F. McBride</u> David F. McBride	Trustee	January 14, 2009

CERTIFICATION

I, Robert S. Hekemian, certify that:

1. I have reviewed this report on Form 10-K 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: January 14, 2009

/s/ Robert S. Hekemian

Robert S. Hekemian

Chairman of the Board and Chief Executive Officer

CERTIFICATION

I, Donald W. Barney, certify that:

1. I have reviewed this report on Form 10-K 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: January 14, 2009

/s/ Donald W. Barney

Donald W. Barney

President, Treasurer and Chief Financial Officer

**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 Annual Report of First Real Estate Investment Trust of New Jersey (the “Company”) on Form 10-K for the year ended October 31, 2008 (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: January 14, 2009

/s/ Robert S. Hekemian

Robert S. Hekemian

Chairman of the Board and Chief Executive Officer

**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 Annual Report of First Real Estate Investment Trust of New Jersey (the “Company”) on Form 10-K for the year ended October 31, 2008 (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: January 14, 2009

/s/ Donald W. Barney

Donald W. Barney

President, Treasurer and Chief Financial Officer