

One Liberty Properties: how fast to keep shifting toward industrial?

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The next allocation

One Liberty Properties had made industrial buildings the center of its portfolio. By June 30, 2026, industrial properties generated about 85% of base rent. Earlier in the year, the company bought ten industrial properties for \$56.7 million and sold several non-core retail properties. Management described the portfolio shift as continuing.

The latest disclosures also showed a new \$100 million revolving credit facility, \$533 million of gross mortgage debt, and mortgage payments scheduled over the next several years. The company had room to borrow under the facility, but its availability depended on the borrowing base and its rate floated with SOFR. A registration statement filed in August authorized possible future securities offerings; it did not raise cash.

Assume you are preparing a recommendation for One Liberty's next planning cycle. The company has not announced a new acquisition pipeline, a board vote, or a debate among the choices below. Should it continue pursuing industrial acquisitions through asset sales and borrowing, slow new purchases and preserve financing capacity, or require a stronger return and liquidity gate for each future investment? What evidence would make you change your recommendation?

From a diversified owner to an industrial focus

One Liberty Properties is a self-managed equity REIT that owns and operates commercial properties leased to tenants. It began with a mix of property types and has increasingly emphasized industrial facilities, including warehouses and distribution buildings. In its 2025 year-end results, the company described an industrial-focused transformation, reported purchases of 23 industrial properties for \$245.5 million during 2025 and after year-end, and reported 12 non-core asset sales completed in 2025 for \$61.3 million of net proceeds. The purchase and sale figures cover different time periods and are not a one-period funding bridge. [2025 results release](#)

At June 30, 2026, the portfolio included 109 properties and approximately 12.2 million square feet in 33 states. Eighty properties, with approximately 11.0 million square feet, were industrial. Industrial occupancy was 98.3%; retail occupancy was 87.8%. These figures describe leased square footage, not rent collection, property-level profitability, or the quality of future tenants. [Q2 2026 Form 10-Q, MD&A, p. 24](#)

The shift is not occurring in an empty market. At June 30, the much larger industrial REIT STAG Industrial owned 606 industrial buildings and 122.6 million square feet across 41 states. This scale provides sector context, not a direct operating or acquisition benchmark for One Liberty, which owns a much smaller mixed portfolio and has different leases and financing. [STAG Q2 2026 Form 10-Q, lines 451-452](#)

What the portfolio earns today

One Liberty's base-rent schedule for the twelve months beginning July 1, 2026, totaled \$83.968 million. Industrial properties represented \$71.249 million, or 84.9%; retail properties represented \$8.983 million; and other properties represented \$3.736 million. Base rent is an operating measure based on leases in effect at the start of that period. It is not GAAP rental revenue or a guarantee that tenants will pay or renew. The schedule also excludes rent from certain vacant space and two retail properties sold or expected to be sold. [Q2 2026 Form 10-Q, MD&A, pp. 24-25](#)

The lease-expiration schedule listed \$14.915 million of base rent expiring in 2028 and \$14.572 million in 2029-together \$29.487 million, or 35.1% of the scheduled total. The schedule assumes that tenants do not exercise renewal or termination options. It identifies lease dates; it does not predict vacancy or lost income. [Q2 2026 Form 10-Q, MD&A, lines 1589-1607](#)

Exhibit 1. Portfolio at June 30, 2026

Property type	Occupancy by area	Base rent, next 12 months	Share of base rent
Industrial (80 properties; ~11.0m sq. ft.)	98.3%	\$71.249m	84.9%
Retail	87.8%	\$8.983m	10.7%
Other	100.0%	\$3.736m	4.4%
Total (109 properties; ~12.2m sq. ft.)	97.6%	\$83.968m	100.0%

Source: Q2 2026 Form 10-Q, MD&A, lines 1557-1560 and 1577-1581. Base rent is for the twelve months beginning July 1, 2026, under leases in effect on that date. The company does not present the table as a forecast of GAAP revenue or cash collection.

Acquisitions, sales, and the funding bridge

On January 29, One Liberty completed the acquisition of ten industrial properties in seven markets for \$56.7 million. The properties had six tenants. The company disclosed approximately \$17 million of mortgage debt on six properties and about \$30 million drawn under its then-existing credit line. Management estimated contracted base rent of about \$3.0 million for the 12 months ending January 31, 2027, rising to about \$4.1 million after anticipated renewals; the filing said renewals were not assured. Those are expected rent figures, not net operating income or acquisition returns. [January 29 Form 8-K, Item 8.01](#)

During the first half of 2026, reported real-estate purchase prices totaled \$57.500 million, with \$0.421 million of capitalized transaction costs. Together, they reconcile to \$57.921 million of cash-flow-statement purchases. In the second quarter, the company also bought about 14 acres adjacent to a first-quarter industrial property for \$800,000. [Q2 2026 Form 10-Q, Note 4](#)

Over the first half, sales of non-core properties had \$26.481 million of gross proceeds. The company separately reported \$9.066 million of mortgage payoffs and \$16.299 million of net proceeds. Gross proceeds less the disclosed mortgage payoffs equal \$17.415 million, leaving a \$1.116 million difference from reported net proceeds that the filing does not separately bridge; do not assume what accounts for it. One Liberty recognized \$13.433 million of gains. It sold a Monroeville, Pennsylvania, retail property in July. At the time of the Q2 filing, it expected a Chicago retail sale for about \$5.7 million in the third quarter, with estimated net proceeds of about \$5.4 million and an estimated loss of about \$280,000. No later company confirmation was identified in the reviewed record by the cutoff, so the case does not count that sale or its proceeds as completed. Sales can recycle capital, but mortgage payoffs and asset-specific gains or losses affect the amount available. [Q2 2026 Form 10-Q, Notes 5-6, lines 1631-1665](#); [Q2 earnings release, lines 38-57 and 97-110](#)

Debt, liquidity, and the pace of investment

At June 30, One Liberty had \$533.369 million of gross mortgage principal (\$528.318 million net of financing costs and mortgage intangibles). Its 60 mortgages were secured by 73 properties. The weighted-average mortgage rate was 4.94%, with a weighted-average remaining term of 5.4 years. Scheduled principal payments include both amortization and amounts due at maturity. [Q2 2026 Form 10-Q, Note 6 and MD&A, pp. 12-13, 31-32](#)

Exhibit 2. Scheduled mortgage payments at June 30, 2026

Period	Amortization	Principal due at maturity	Total scheduled principal
Second half 2026	\$5.552m	\$8.774m	\$14.326m
2027	\$10.281m	\$38.525m	\$48.806m
2028	\$9.656m	\$30.155m	\$39.811m
2029	\$7.602m	\$79.386m	\$86.988m
2030	\$6.629m	\$71.429m	\$78.058m
Thereafter	\$24.498m	\$240.882m	\$265.380m
Total	\$64.218m	\$469.151m	\$533.369m

Source: Q2 2026 Form 10-Q, Note 6, lines 976-979. Annual totals include amortization and principal due at maturity; they are not all balloon payments.

On July 31, the company replaced its prior credit line with a new facility of up to \$100 million, subject to borrowing-base requirements. It matures December 31, 2029, with a conditional one-year extension, and bears interest at 30-day SOFR plus a margin of 175-250 basis points. It carries a fee on unused capacity. At August 3, One Liberty reported \$95.2 million available under the facility and \$15.4 million in cash and cash equivalents, including a required \$3 million average deposit balance. The company called the combined \$110.6 million “available liquidity”; most of that amount was borrowing capacity, not cash. The facility can support acquisitions or other general corporate needs, but its limit is not an unconditional promise to fund any purchase. [Q2 2026 Form 10-Q, Note 6 and MD&A](#)

The company says it generally intends to refinance, extend, or pay off mortgages coming due from 2026 through 2029, while noting there is no assurance it can do so. It describes a financing

pattern in which it draws the credit line to acquire a property, secures long-term fixed-rate mortgage debt on that property, and applies the mortgage proceeds to repay the revolver. Property-sale or refinancing proceeds generally repay outstanding facility amounts. These disclosures describe a financing practice and intent, not a guarantee of terms or timing.

A shelf registration filed August 13 permits possible offerings of up to \$250 million of common or preferred shares, warrants, and subscription rights, subject to effectiveness and offering terms. It is not cash already raised. A June dividend declaration of \$0.45 per share, about \$9.819 million in total, had been paid in July. The company's REIT tax status generally requires distribution of at least 90% of ordinary taxable income; that is not a requirement to distribute 90% of FFO or AFFO, and the June dividend does not establish a future dividend decision. [August 13 Form S-3](#); [June 9 Form 8-K](#)

Performance: acquisitions lift rent, financing costs rise too

For the second quarter, One Liberty reported net income of \$0.71 per diluted share, FFO of \$0.49 per share, and AFFO of \$0.51 per share. Rental income, net, increased \$2.5 million, or 10.3%, year over year; management attributed the increase primarily to accretive acquisitions. FFO per share increased 8.9% and AFFO per share 4.1%. The company also reported that interest expense rose \$1.0 million, primarily because average mortgage principal was higher. Same-store rental income growth was 2.5%, much slower than total rental income growth. [Q2 2026 earnings release, lines 30-77](#); [Q2 2026 Form 10-Q, MD&A, lines 1716-1717 and 1862-1864](#)

FFO is a supplemental REIT measure that excludes, among other items, real-estate depreciation and certain property-sale gains/losses and impairments. AFFO further adjusts FFO using company-defined items. Neither is GAAP cash flow, and neither measures whether the company has enough cash for debt principal, property improvements, and distributions. The acquisition-driven increase in rental income therefore does not, by itself, show that acquisition returns exceed the cost of financing or preserve per-share value.

Exhibit 3. Selected second-quarter indicators

Measure	Q2 2026	Year-over-year change	Basis
Rental income, net	-	+\$2.5m / +10.3%	GAAP; management attributed growth primarily to acquisitions
Same-store rental income, net	-	+2.5%	Company-defined supplemental operating comparison
Net income per diluted share	\$0.71	-	GAAP
FFO per diluted share	\$0.49	+8.9%	Non-GAAP / NAREIT measure
AFFO per diluted share	\$0.51	+4.1%	Non-GAAP; company-defined adjustments
Interest expense	-	+\$1.0m	Increase attributed primarily to higher average mortgage principal

Source: Q2 2026 earnings release, lines 30-77, and Form 10-Q, lines 1716-1717 and 1862-1864. Dashes mean the case does not display a value; they do not indicate zero.

The recommendation

One Liberty has not disclosed a next-deal pipeline, a target percentage for industrial properties, an acquisition hurdle rate, or a target leverage ratio. Future purchase size, price, tenant, and financing terms are unknown. The August shelf does not resolve those gaps. The planning choice is therefore about policy and readiness, not whether to approve a specific property.

Three policies are plausible:

1. **Maintain the acquisition-and-recycling pace.** Continue searching for industrial properties and fund selected purchases through sale proceeds, the revolver, and property-level mortgages. This supports the strategic shift and uses a financing process the company has described. It also risks tying up collateral, raising floating or refinancing costs, and buying without a disclosed hurdle or pipeline.
2. **Slow purchases and preserve capacity.** Focus on refinancing and scheduled mortgage payments, retain borrowing flexibility, and wait for better visibility on asset sales and property-level economics. This reduces near-term financing pressure but could slow the stated strategy and leave attractive opportunities to larger or more specialized buyers.
3. **Use a conditional acquisition gate.** Continue evaluating assets, but invest only when a deal clears explicit return, tenant, lease-expiration, collateral, and post-close liquidity tests. A gate protects flexibility while keeping the strategy active. It depends on information-such as property-level net operating income, recurring capital needs, lease terms, and refinancing bids-that the public filings do not supply.

Which policy should guide the next planning cycle? What minimum data and guardrails should the company require before committing to another industrial purchase?

Information boundary: This case uses public information available through August 31, 2026, close. It does not incorporate later results or transactions. The alternatives are constructed for classroom analysis and do not describe internal deliberations or an announced board decision.