

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP
Form 10-K
March 16, 2009

Table of Contents

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

FORM 10-K

(Mark
One)

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from _____ to
Commission file number 0-12138

New England Realty Associates Limited Partnership

(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

04-2619298
(I.R.S. employer
identification no.)

**39 Brighton Avenue, Allston,
Massachusetts**
(Address of principal executive offices)

02134
(Zip Code)

Registrant's telephone number, including area code: **(617) 783-0039**

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

Depository Receipts
(Title of each Class)

NYSE Alternext U.S. Exchange
(Name of each Exchange on which
Registered)

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

Class A

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Limited Partnership Units

(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 Exchange 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.:

Large accelerated
filer

Accelerated
filer

Non-accelerated
filer

Smaller reporting
company

(Do not check if a
smaller
reporting company)

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

Documents Incorporated By Reference

None

At June 30, 2008, the aggregate market value of the registrant's securities held by non-affiliates of the registrant was \$53,579,301 based on the closing price of the registrant's traded securities on the NYSE Alternext U.S. Exchange on such date.

As of February 27, 2009, there were 107,217 of the registrant's Class A units (1,072,172 Depositary Receipts) of limited partnership issued and outstanding and 25,464 Class B units issued and outstanding.

(For this computation, the Registrant has excluded the market value of all Depositary Receipts reported as beneficially owned by executive officers and directors of the General Partner of the Registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the Registrant.)

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP

TABLE OF CONTENTS

	PAGE
PART I	
<u>Item 1. Business</u>	<u>1</u>
<u>Item 1A. Risk Factors</u>	<u>5</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>9</u>
<u>Item 2. Properties</u>	<u>9</u>
<u>Item 3. Legal Proceedings</u>	<u>15</u>
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	<u>15</u>
PART II	
<u>Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>15</u>
<u>Item 6. Selected Financial Data</u>	<u>18</u>
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>31</u>
<u>Item 8. Consolidated Financial Statements and Supplementary Data</u>	<u>31</u>
<u>Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>32</u>
<u>Item 9A. Controls and Procedures</u>	<u>32</u>
<u>Item 9B. Other Information</u>	<u>32</u>
PART III	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>33</u>
<u>Item 11. Executive Compensation</u>	<u>35</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>36</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>39</u>
<u>Item 14. Principal Accounting Fees and Services</u>	<u>39</u>
PART IV	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>40</u>
SIGNATURES	
	<u>S-1</u>
<u>Exhibit Index</u>	<u>S-2</u>

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP

PART I

ITEM 1. BUSINESS

General

New England Realty Associates Limited Partnership ("NERA" or the "Partnership"), a Massachusetts Limited Partnership, was formed on August 12, 1977 as the successor to five real estate limited partnerships (collectively, the "Colonial Partnerships"), which filed for protection under Chapter XII of the Federal Bankruptcy Act in September 1974. The bankruptcy proceedings were terminated in late 1984. In July 2004, the General Partner extended the termination date of the Partnership until 2057, as allowed in the Partnership Agreement.

The authorized capital of the Partnership is represented by three classes of partnership units ("Units"). There are two categories of limited partnership interests ("Class A Units" and "Class B Units") and one category of general partnership interests (the "General Partnership Units"). The Class A Units were issued to creditors and limited partners of the Colonial Partnerships and have been registered under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Each Class A Unit is exchangeable for ten publicly traded depository receipts ("Receipts"), which are currently listed on the American Stock Exchange and are registered under Section 12(b) of the Exchange Act. The Class B Units were issued to the original general partners of the Partnership. The General Partnership Units are held by the current general partner of the Partnership, NewReal, Inc. (the "General Partner"). The Class A Units represent an 80% ownership interest, the Class B Units represent a 19% ownership interest, and the General Partnership Units represent a 1% ownership interest.

The Partnership is engaged in the business of acquiring, developing, holding for investment, operating and selling real estate. The Partnership, directly or through 24 subsidiary limited partnerships or limited liability companies, owns and operates various residential apartment buildings, condominium units and commercial properties located in Massachusetts and New Hampshire. As used herein, the Partnership's subsidiary limited partnerships and limited liabilities companies are each referred to as a "Subsidiary Partnership" and are collectively referred to as the "Subsidiary Partnerships."

The Partnership owns between a 99.67% and 100% interest in each of the Subsidiary Partnerships, except in nine limited liability companies (the "Investment Properties") in which the Partnership has a 50% ownership interest. For the Investment Properties, the Partnership owns 50% of each entity, the majority shareholder of the General Partner owns between 43.2% and 47.5%, the President of Hamilton owns between 2.5% and 4.5%, and five other management employees of Hamilton own collectively between 0 and 2.3%, respectively. The Partnership's interest in the Investment Properties is accounted for on the equity method of consolidation in the Consolidated Financial Statements. See Note 1 to the Consolidated Financial Statements "Principles of Consolidation." See Note 14 to the Consolidated Financial Statements for a description of the properties and their operations. Of those Subsidiary Partnerships not wholly owned by the Partnership, except for the Investment Properties, the remaining ownership interest is held by an unaffiliated third party. In each such case, the third party has entered into a lease agreement with the Partnership, pursuant to which any benefit derived from its ownership interest in the applicable Subsidiary Partnerships will be returned to the Partnership.

The long-term goals of the Partnership are to manage, rent and improve its properties and to acquire additional properties with income and capital appreciation potential as suitable opportunities arise. When appropriate, the Partnership may sell or refinance selected properties. Proceeds from any such sales or refinancing will be reinvested in acquisitions of other properties, distributed to the partners, repurchase equity interests, or used for operating expenses or reserves, as determined by the General Partner.

Table of Contents

Operations of the Partnership

The Partnership is managed by the General Partner, NewReal, Inc., a Massachusetts corporation wholly owned by Harold Brown and Ronald Brown. The General Partner has engaged The Hamilton Company, Inc. (the "Hamilton Company" or "Hamilton") to perform general management functions for the Partnership's properties in exchange for management fees. The Hamilton Company is wholly owned by Harold Brown and employs Ronald Brown and Harold Brown. The Partnership and its Subsidiary Partnerships currently contracts with the management company for 46 individuals at the Properties and 7 individuals at the Joint Ventures who are primarily involved in the supervision and maintenance of specific properties. The General Partner has no employees.

As of February 2, 2009, the Partnership and its Subsidiary Partnerships owned 2,269 residential apartment units in 19 residential and mixed-use complexes (collectively, the "Apartment Complexes"). The Partnership also owns 19 condominium units in a residential condominium complex, all of which are leased to residential tenants (collectively referred to as the "Condominium Units"). The Apartment Complexes, the Condominium Units and the Investment Properties are located primarily in the metropolitan Boston area of Massachusetts.

Additionally, as of February 2, 2009, the Subsidiary Partnerships owned a commercial shopping center in Framingham, Massachusetts, one commercial building in Newton and one in Brookline, Massachusetts and commercial space in mixed-use buildings in Boston, Brockton and Newton, Massachusetts. These properties are referred to collectively as the "Commercial Properties." See Note 2 to the Consolidated Financial Statements, included as a part of this Form 10-K.

Additionally, as of February 2, 2009, the Partnership owned a 50% ownership interest in nine residential and mixed use complexes, the Investment Properties, with a total of 391 residential units, one commercial unit, and a parking lot. See Note 14 to the Consolidated Financial Statements for additional information on these investments.

The Apartment Complexes, Investment Properties, Condominium Units and Commercial Properties are referred to collectively as the "Properties."

Harold Brown and, in certain cases, Ronald Brown, and officers and employees of the Hamilton Company own or have owned interests in certain of the Properties and the Subsidiary Partnerships. See "Item 13. Certain Relationships, Related Transactions and Director Independence."

The leasing of real estate in the metropolitan Boston area of Massachusetts is highly competitive. The Apartment Complexes, Condominium Units and the Investment Properties must compete for tenants with other residential apartments and condominium units in the areas in which they are located. The Commercial Properties must compete for commercial tenants with other shopping malls and office buildings in the areas in which they are located. Thus, the level of competition at each Property depends on how many other similarly situated properties are in its vicinity. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Factors that May Affect Future Results."

The Second Amended and Restated Contract of Limited Partnership of the Partnership (the "Partnership Agreement") authorizes the General Partner to acquire real estate and real estate related investments from or in participation with either or both of Harold Brown and Ronald Brown, or their affiliates, upon the satisfaction of certain terms and conditions, including the approval of the Partnership's Advisory Committee and limitations on the price paid by the Partnership for such investments. The Partnership Agreement also permits the Partnership's limited partners and the General Partner to make loans to the Partnership, subject to certain limitations on the rate of interest that may be charged to the Partnership. Except for the foregoing, the Partnership does not have any policies prohibiting any limited partner, General Partner or any other person from having any direct or indirect pecuniary interest in any investment to be acquired or disposed of by the Partnership or in any

Table of Contents

transaction to which the Partnership is a party or has an interest in or from engaging, for their own account, in business activities of the types conducted or to be conducted by the Partnership. The General Partner is not limited in the number or amount of mortgages which may be placed on any Property, nor is there a policy limiting the percentage of Partnership assets which may be invested in any specific Property.

Industry Segments

The Partnership operates in only one industry segment real estate. The Partnership does not have any foreign operations, and its business is not seasonal. See the Consolidated Financial Statements attached hereto and incorporated by reference herein for financial information relating to our industry segment.

Unit Distributions

In 2008 and 2007, the Partnership paid four quarterly distributions of an aggregate of \$28.00 per Unit (\$2.80 per Receipt) for a total payment of \$3,917,908 in 2008 and \$4,783,169 in 2007. In February 2009, the Partnership approved a quarterly distribution of \$7.00 per Unit (\$0.70 per Receipt), payable on March 31, 2009.

On August 20, 2007, NewReal, Inc., the General Partner authorized an equity repurchase program ("Repurchase Program") under which the Partnership was permitted to purchase, over a period of twelve months, up to 100,000 Depositary Receipts (each of which is one-tenth of a Class A Unit). On January 15, 2008, the General Partner authorized an increase in the Repurchase Program from 100,000 to 200,000 Depositary Receipts. On January 30, 2008 the General Partner authorized an increase the Repurchase Program from 200,000 to 300,000 Depositary Receipts. On March 10, 2008, the General Partner authorized the increase in the total number of Depositary Receipts that could be repurchased pursuant to the Repurchase Program from 300,000 to 500,000. On August 8, 2008, the General Partner re-authorized and renewed the Repurchase Program for an additional 12-month period ending August 19, 2009. In addition, the General Partner also authorized the expansion of the Repurchase Program to require the Partnership to repurchase a proportionate number of Class B Units and General Partner Units in connection with any repurchases of any Depositary Receipts by the Partnership based upon the 80%, 19% and 1% fixed distribution percentages of the holders of the Class A, Class B and General Partner Units under the Partnership's Second Amended and Restate Contract of Limited Partnership. Repurchases of Depositary Receipts or Partnership Units pursuant to the Repurchase Program may be made by the Partnership from time to time in its sole discretion in open market transactions at prevailing prices or in privately negotiated transactions. As of February 27, 2009, the Partnership has repurchased 378,024 Depositary Receipts at an average price of \$74.63 per receipt (or \$746.30 per underlying Class A Unit), 1,241 Class B Units at an average price of \$604.65 per Unit, and 65 General Partner Units at an average price of \$604.65 per Unit, totaling approximately \$29,096,000, including brokerage fees paid by the Partnership. These amounts include 9,840 Depositary Receipts repurchased in 2009 for approximately \$537,000 averaging \$54.62 per receipt that will require the purchase of Class B and General Partnership units at a cost of approximately \$133,000.

On September 17, 2008, the Partnership completed the issuance of an aggregate of 6,642 Class A Units held in treasury to current holders of Class B and General Partner Units upon the simultaneous retirement to treasury of 6,309 Class B Units and 333 General Partner Units pursuant to an equity distribution plan authorized by the Board of Directors of the General Partner and the Partnership's Advisory Committee and as further described under Item 3.02 of the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 18, 2008, which is incorporated herein by reference. Harold Brown, the treasurer of the General Partner, owns 75% of the issued and outstanding Class B Units of the Partnership and 75% of the issued and outstanding

Table of Contents

equity of the General Partner, Ronald Brown, the brother of Harold Brown and the president of the General Partner, owns 25% of the issued and outstanding Class B Units of the Partnership and 25% of the issued and outstanding equity of the General Partner.

As of December 31, 2008, the repurchase of approximately \$28,426,000 of Depository Receipts described above, resulted in the Partnership having a negative Partners' Capital of approximately \$17,700,000.

Property Transactions

On January 3, 2008, the Partnership sold the Oak Ridge Apartments, a 61-unit residential apartment complex located in Foxboro, Massachusetts. The sale price was \$7,150,000, which resulted in a gain of approximately \$6,000,000. In November 2007, the Partnership purchased a fully occupied commercial building located in Newton, Massachusetts, known as Linewt LLC. The purchase price was \$3,475,000 and the building consists of 5,850 square feet of commercial space. The Partnership utilized Section 1031 of the IRS code to affect a tax free exchange on the gain of Oak Ridge up to the purchase price of the Newton property. Most of the taxable gain of approximately \$3,000,000 will be taxed at the capital gain rates. In accordance with Section 1031, the Newton property was owned by a Qualified Intermediary for the period from the purchase date of the Newton property and the sale date of the Foxboro property. The Qualified Intermediary borrowed approximately \$3,225,000 from Harold Brown, Treasurer of the General Partner, to purchase the Newton property. This loan was paid in full, with interest at 6% of \$34,401, from the proceeds of the Oak Ridge sale on January 3, 2008. On January 22, 2008, the Partnership financed the Newton property with a first mortgage of \$1,700,000 at 5.75% interest only until maturity in January 2018.

In February 2008, the Partnership refinanced ten properties with outstanding 8.44% mortgages of approximately \$37,800,000 with new mortgages totaling \$60,000,000. The new mortgages which mature in February 2023 require interest only payments at interest rates from 5.6% to 5.7%. Deferred costs associated with these mortgages totaled approximately \$710,000 and, accordingly, the effective interest rates are 5.7% to 5.8%. Prepayment penalties of approximately \$3,700,000 were incurred in these transactions. After payment of existing mortgages, prepayment penalties and other costs of the transactions, approximately \$16,000,000 was received by the Partnership

In April 2008, the Partnership sold the Coach Apartments, a 48 unit residential apartment complex located in Acton, Massachusetts. The sale price was \$4,600,000, which resulted in a gain of approximately \$3,800,000. In October 2008, the Partnership purchased a fully occupied medical office building located in Brookline, Massachusetts, referred to as "the Barn." The purchase price of the Barn was \$7,000,000 and it consists 20,000 square feet of commercial space. The Partnership utilized Section 1031 of the IRS code to affect a tax free exchange on the gain of Coach up to the purchase price of the Barn. This acquisition was funded from the assumption of the existing mortgage of approximately \$4,000,000, the cash from the sale of Coach of approximately \$2,600,000, and the balance of \$400,000 was funded from cash reserves.

In April 2008, the Partnership refinanced the property located at 659 Worcester Road with a mortgage balance of approximately \$3,500,000 at 7.84% with a new \$6,000,000 mortgage at 5.97% interest only mortgage which matures in March 2018. Deferred financing costs associated with this mortgage totaled approximately \$86,000 and accordingly the effective interest rate is 6.1%. Prepayment penalties of approximately \$783,000 were incurred in this transaction. After payment of the existing mortgage and prepayment penalties, approximately \$1,700,000 was received by the Partnership.

In June, the Partnership refinanced the Westside Colonial Apartments with a balance of approximately \$4,600,000 maturing in 2008 with interest at a rate of 6.52% with \$7,000,000 at 5.66% interest only mortgage maturing in June 2023. Deferred financing costs associated with this mortgage totaled approximately \$62,000 and accordingly the effective interest rate is 5.8%. Closing costs were

Table of Contents

approximately \$100,000. There were no prepayment penalties. After payment of the existing mortgage and closing costs, approximately \$2,377,000 was received by the Partnership.

During 2008, the Partnership and its Subsidiary Partnerships completed improvements to certain of the Properties at a total cost of approximately \$3,097,000. These improvements were funded from cash reserves and, to some extent, escrow accounts established in connection with the financing or refinancing of the applicable Properties. These sources have been adequate to fully fund improvements. The most significant improvements were made at Westgate Woburn, Redwood Hills, School Street, 62 Boylston Street and Hamilton Oaks, at a cost of approximately \$645,000, \$400,000, \$252,000, \$244,000, and \$219,000, respectively. The Partnership plans to invest approximately \$2,600,000 in capital improvements in 2009.

Advisory Committee

On October 29, 2007, Gregory Dube, Robert Nahigian, and Thomas Raffoul were elected to the Advisory Committee. These Advisory Committee members are not affiliated with the General Partner. The Advisory Committee meets with the General Partner to review the progress of the Partnership, assist the General Partner with policy formation, review the appropriateness, timing and amount of proposed distributions, approve or reject proposed acquisitions and investments with affiliates, and advise the General Partner on various other Partnership affairs. Per the Partnership Agreement, the Advisory Committee has no binding power except that it must approve certain investments and acquisitions or sales by the Partnership from or with affiliates of the Partnership.

Available Information

The Partnership's website is www.thehamiltoncompany.com. On its website, the Partnership makes available, free of charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended. These forms are made available as soon as reasonably practical after the Partnership electronically files or furnishes such materials to the Securities and Exchange Commission. In addition, the Partnership's website includes other items related to corporate governance matters, including, among other things, the Partnership's corporate governance guidelines, charters of various committees of the Board of Directors, and the Partnership's code of business conduct and ethics applicable to all employees, officers and directors. Copies of these documents may be obtained, free of charge, from the website. Any shareholder may obtain copies of these documents, free of charge, by sending a request in writing to: Director of Investor Relations, New England Realty Associates Limited Partnership, 39 Brighton Avenue, Allston, MA 02134.

ITEM 1A. RISK FACTORS

We are subject to certain risks and uncertainties as described below. These risks and uncertainties may not be the only ones we face; there may be additional risks that we do not presently know of or that we currently consider immaterial. All of these risks could adversely affect our business, financial condition, results of operations and cash flows. Our ability to pay distributions on, and the market price of, our equity securities may be adversely affected if any of such risks are realized. All investors should consider the following risk factors before deciding to purchase or sell securities of the Partnership.

We are subject to risks inherent in the ownership of real estate. We own and manage multifamily apartment complexes and commercial properties that are subject to varying degrees of risk generally incident to the ownership of real estate. Our financial condition, the value of our properties and our ability to make distributions to our shareholders will be dependent upon our ability to operate our properties in a manner sufficient to generate income in excess of operating expenses and debt service

Table of Contents

charges, which may be affected by the following risks, some of which are discussed in more detail below:

changes in the economic climate in the markets in which we own and manage properties, including interest rates, the overall level of economic activity, the availability of consumer credit and mortgage financing, unemployment rates and other factors;

a lessening of demand for the multifamily units that we own;

competition from other available multifamily units and changes in market rental rates;

increases in property and liability insurance costs;

changes in real estate taxes and other operating expenses (e.g., cleaning, utilities, repair and maintenance costs, insurance and administrative costs, security, landscaping, pest control, staffing and other general costs);

changes in laws and regulations affecting properties (including tax, environmental, zoning and building codes, and housing laws and regulations);

weather and other conditions that might adversely affect operating expenses;

expenditures that cannot be anticipated, such as utility rate and usage increases, unanticipated repairs and real estate tax valuation reassessments or mileage rate increases;

our inability to control operating expenses or achieve increases in revenues;

the results of litigation filed or to be filed against us;

risks related to our joint ventures;

risks of personal injury claims and property damage related to mold claims because of diminished insurance coverage;

catastrophic property damage losses that are not covered by our insurance;

risks associated with property acquisitions such as environmental liabilities, among others;

changes in market conditions that may limit or prevent us from acquiring or selling properties; and

the perception of residents and prospective residents as to the attractiveness, convenience and safety of our properties or the neighborhoods in which they are located.

We are dependent on rental income from our multifamily apartment complexes and commercial properties. If we are unable to attract and retain residents or if our residents are unable to pay their rental obligations, our financial condition and funds available for distribution to our shareholders will be adversely affected.

Our multifamily apartment complexes and commercial properties are subject to competition. Our properties and joint venture investments are located in developed areas that include other properties. The properties also compete with other rental alternatives, such as condominiums, single and multifamily rental homes and owner occupied single and multifamily homes, in attracting residents. This competition may affect our ability to attract and retain residents and to increase or maintain rental rates.

The properties we own are concentrated in Eastern Massachusetts and Southern New Hampshire. Our performance, therefore, is linked to economic conditions and the market for available rental housing in these states. A decline in the market for apartment housing and/or commercial properties may

Table of Contents

adversely affect our financial condition, results of operations and ability to make distributions to our shareholders.

Our insurance may not be adequate to cover certain risks. There are certain types of risks, generally of a catastrophic nature, such as earthquakes, floods, windstorms, act of war and terrorist attacks that may be uninsurable, or are not economically insurable, or are not fully covered by insurance. Moreover, certain risks, such as mold and environmental exposures, generally are not covered by our insurance. Should an uninsured loss or a loss in excess of insured limits occur, we could lose our equity in the affected property as well as the anticipated future cash flow from that property. Any such loss could have a material adverse effect on our business, financial condition and results of operations.

Debt financing could adversely affect our performance. The vast majority of our assets are encumbered by project specific, non-recourse, non-cross-collateralized mortgage debt. There is a risk that these properties will not have sufficient cash flow from operations for payments of required principal and interest. We may not be able to refinance these loans at an amount equal to the loan balance and the terms of any refinancing may not be as favorable as the terms of existing indebtedness. If we are unable to make required payments on indebtedness that is secured by a mortgage, the Partnership will either invest additional money in the property or the property securing the mortgage may be foreclosed with a consequent loss of income and value to us.

Real estate investments are generally illiquid, and we may not be able to sell our properties when it is economically or strategically advantageous to do so. Real estate investments generally cannot be sold quickly, and our ability to sell properties may be affected by market conditions. We may not be able to diversify or vary our portfolio promptly in accordance with our strategies or in response to economic or other conditions.

Our access to public debt markets is limited. Substantially all of our debt financings are secured by mortgages on our properties because of our limited access to public debt markets.

Litigation may result in unfavorable outcomes. Like many real estate operators, we may be involved in lawsuits involving premises liability claims, housing discrimination claims and alleged violations of landlord-tenant laws, which may give rise to class action litigation or governmental investigations. Any material litigation not covered by insurance, such as a class action, could result in substantial costs being incurred.

Our financial results may be adversely impacted if we are unable to sell properties and employ the proceeds in accordance with our strategic plan. Our ability to pay down debt, reduce our interest costs, repurchase Depositary Receipts and acquire properties is dependent upon our ability to sell the properties we have selected for disposition at the prices and within the deadlines we have established for each respective property.

The costs of complying with laws and regulations could adversely affect our cash flow and ability to make distributions to our shareholders. Our properties must comply with Title III of the Americans with Disabilities Act (the "ADA") to the extent that they are "public accommodations" or "commercial facilities" as defined in the ADA. The ADA does not consider apartment complexes to be public accommodations or commercial facilities, except for portions of such properties that are open to the public. In addition, the Fair Housing Amendments Act of 1988 (the "FHAA") requires apartment complexes first occupied after March 13, 1990, to be accessible to the handicapped. Other laws also require apartment communities to be handicap accessible. Noncompliance with these laws could result in the imposition of fines or an award of damages to private litigants. We may be subject to lawsuits alleging violations of handicap design laws in connection with certain of our developments. If compliance with these laws involves substantial expenditures or must be made on an accelerated basis, our ability to make distributions to our shareholders could be adversely affected.

Table of Contents

Under various federal, state and local laws, an owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, under or in the property. This liability may be imposed without regard to whether the owner or operator knew of, or was responsible for, the presence of the substances. Other law imposes on owners and operators certain requirements regarding conditions and activities that may affect human health or the environment. Failure to comply with applicable requirements could complicate our ability to lease or sell an affected property and could subject us to monetary penalties, costs required to achieve compliance and potential liability to third parties. We are not aware of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental matters in connection with any of our properties. Nonetheless, it is possible that material environmental contamination or conditions exist, or could arise in the future, in the apartment communities or on the land upon which they are located.

We are subject to the risks associated with investments through joint ventures. Nine of our properties are owned by joint ventures in which we do not have a controlling interest. We may enter into joint ventures, including joint ventures that we do not control, in the future. Any joint venture investment involves risks such as the possibility that the co-venturer may seek relief under federal or state insolvency laws, or have economic or business interests or goals that are inconsistent with our business interests or goals. While the bankruptcy or insolvency of our co-venturer generally should not disrupt the operations of the joint venture, we could be forced to purchase the co-venturer's interest in the joint venture or the interest could be sold to a third party. We also may guarantee the indebtedness of our joint ventures. If we do not have control over a joint venture, the value of our investment may be affected adversely by a third party that may have different goals and capabilities than ours.

We are subject to risks associated with development, acquisition and expansion of multifamily apartment complexes. Development projects and acquisitions and expansions of apartment complexes are subject to a number of risks, including:

- availability of acceptable financing;
- competition with other entities for investment opportunities;
- failure by our properties to achieve anticipated operating results;
- construction costs of a property exceeding original estimates;
- delays in construction; and
- expenditure of funds on, and the devotion of management time to, transactions that may not come to fruition.

We are subject to control by our directors and officers. The directors and executive officers of the General Partner and members of their families owned approximately 38% of our depository receipts as of December 31, 2008. Additionally, management decisions rest with our General Partner without limited partner approval.

Competition for skilled personnel could increase our labor costs. We and our management company compete with various other companies in attracting and retaining qualified and skilled personnel who are responsible for the day-to-day operations of our properties. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge our tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed.

Table of Contents

We depend on our key personnel. Our success depends to a significant degree upon the continued contribution of key members of the management company, who may be difficult to replace. The loss of services of these executives could have a material adverse effect on us. There can be no assurance that the services of such personnel will continue to be available to us. We do not hold key-man life insurance on any of our key personnel.

Changes in market conditions could adversely affect the market price of our Depositary Receipts. As with other publicly traded equity securities, the value of our depositary receipts depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of our depositary receipts are the following:

the extent of your interest in us;

the general reputation of real estate companies and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate companies;

our financial performance; and

general stock and bond market conditions.

The market value of our depositary is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash distributions. Consequently, our depositary receipts may trade at prices that are higher or lower than our net asset value per depositary receipt.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Partnership and its Subsidiary Partnerships own the Apartment Complexes, the Condominium Units, the Commercial Properties and a 50% interest in nine Investment Properties.

See also "Item 13. Certain Relationships and Related Transactions and Director Independence" for information concerning affiliated transactions.

Apartment Complexes

The table below lists the location of the 2,269 Apartment Units, the number and type of units in each complex, the range of rents and vacancies as of February 2, 2009, the principal amount outstanding under any mortgages as of December 31, 2008, the fixed interest rates applicable to such mortgages, and the maturity dates of such mortgages.

Apartment Complex	Number and Type of Units	Rent Range	Vacancies	Mortgage Balance and Interest Rate As of December 31, 2008	Maturity Date of Mortgage
Avon Street Apartments L.P.	66 units		1	\$2,550,000	2013
130 Avon Street	0	N/A		4.99%	
Malden, MA	three-bedroom	\$1,085	1,350		
	two-bedroom	\$900	1,175		

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	33 one-bedroom 3 studios	\$865 925			
Boylston Downtown L.P. 62 Boylston Street	269 units 0 three-bedroom	N/A	0	\$19,500,000 4.84%	2013
Boston, MA	0 two-bedroom 53 one-bedroom 216 studios	N/A \$1,580 1,950 \$743 1,500			

9

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Table of Contents

Apartment Complex	Number and Type of Units	Rent Range	Vacancies	Mortgage Balance and Interest Rate As of December 31, 2008	Maturity Date of Mortgage
Brookside Associates, LLC 5-7 10-12 Totman Road Woburn, MA	44 units 0 three-bedroom 34 two-bedroom 10 one-bedroom 0 studios	N/A \$1,100 1,250 \$1025 1,140 N/A	2	\$1,929,076 7.63%	2011
Clovelly Apartments L.P. 160 170 Concord Street Nashua, NH	103 units 0 three-bedroom 53 two-bedroom 50 one-bedroom 0 studios	N/A \$845 1,200 \$750 875 N/A	6	\$4,160,000 5.62%	2023
Commonwealth 1137 L.P. 1131-1137 Commonwealth Ave. Allston, MA	35 units 28 three-bedroom 5 two-bedroom 1 one-bedroom 1 studio	\$1,700 2,350 \$1,300 1,550 \$675 \$800	0	\$3,750,000 5.65%	2023
Commonwealth 1144 L.P. 1144 1160 Commonwealth Ave. Allston, MA	261 units 0 three-bedroom 11 two bedroom 109 one-bedroom 141 studios	N/A \$1,000 1,400 \$900 1,300 \$825 1,025	1	\$14,780,000 5.61%	2023
Courtyard at Westgate, LLC 105 107 Westgate Drive Burlington, MA	20 units 0 three-bedroom 12 two bedroom 8 one-bedroom 0 studios	N/A \$1,400 1,875 \$1,170 1,365 N/A	0	\$2,000,000 5.25%	2015
Dean Street Associates, LLC 38 48 Dean Street Norwood, MA	69 units 0 three-bedroom 66 two-bedroom 3 one-bedroom 0 studios	N/A \$1,075 1,225 \$1,025 N/A	2	\$5,567,338 5.13%	2014
Executive Apartments L.P.	72 units		5	\$2,415,000	2023

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545 561 Worcester Road	1	\$1,200		5.6%	
	three-bedroom				
Framingham, MA	47	\$925	1,110		
	two-bedroom				
	24	\$825	1,075		
	one-bedroom				
	0 studios	N/A			
Hamilton Oaks Associates, LLC	268 units				2023
30 50 Oak Street Extension	0	N/A		5.6%	
	three-bedroom				
40 60 Reservoir Street	96	\$990	1,200		
	two-bedroom				
Brockton, MA	159	\$825	1,000		
	one-bedroom				
	13 studios	\$735	850		
Highland Street Apartments L.P.	36 units				2023
38 40 Highland Street	0	N/A		5.6%	
	three-bedroom				
Lowell, MA	24	\$830	975		
	two-bedroom				
	10	\$725	850		
	one-bedroom				
	2 studios	\$700	725		
Linhart L.P	9 units				2010
4 34 Lincoln Street	0	N/A		8.46%	
	three-bedroom				
Newton, MA	0 two-bedroom	N/A			
	6 one-bedroom	\$750	1,000		
	3 studios	\$785	900		

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Table of Contents

Apartment Complex	Number and Type of Units	Rent Range	Vacancies	Mortgage Balance and Interest Rate As of December 31, 2008	Maturity Date of Mortgage
Nashoba Apartments L.P. 284 Great Road Acton, MA	32 units 0 three-bedroom 32 two-bedroom 0 one-bedroom 0 studios	N/A \$1,050 1,340 N/A N/A	0	\$2,000,000 5.30%	2013
North Beacon 140 L.P. 140 154 North Beacon Street Brighton, MA	65 units 10 three-bedroom 54 two-bedroom 1 one-bedroom 0 studios	\$2,000 2,200 \$1,475 1,795 \$800 N/A	2	\$6,937,000 5.6%	2023
Olde English Apartments L.P. 703 718 Chelmsford Street Lowell, MA	84 units 0 three-bedroom 47 two-bedroom 30 one-bedroom 7 studios	N/A \$750 1,150 \$800 970 \$800 860	6	\$3,080,000 5.6%	2023
Redwood Hills L.P. 376 384 Sunderland Road Worcester, MA	180 units 0 three-bedroom 89 two-bedroom 91 one-bedroom 0 studios	N/A \$875 1,185 \$825 975 N/A	5	\$6,743,000 5.6%	2023
River Drive L.P. 3 17 River Drive Danvers, MA	72 units 0 three-bedroom 60 two-bedroom 5 one-bedroom 7 studios	N/A \$975 1,100 \$905 970 \$765-880	2	\$3,465,000 5.62%	2023
School Street 9, LLC 9 School Street Framingham, MA	184 units 0 three-bedroom 96 two-bedroom 88 one-bedroom 0 studios	N/A \$1,040 1,280 \$900 1,105 N/A	6	\$16,400,498 5.47%	2013

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WCB Associates, LLC 10 70 Westland Street	180 units 1 three-bedroom	\$1,100	11	\$7,000,000 5.66%	2023
985 997 Pleasant Street Brockton, MA	94 two-bedroom 85 one-bedroom 0 studios	\$985 1,020 \$790 930 N/A			
Westgate Apartments, LLC 2 20 Westgate Drive	220 units 0 three-bedroom	N/A	8	\$9,542,400 7.07%	2014
Woburn, MA	110 two-bedroom 110 one-bedroom 0 studios	\$1,065 1,350 \$870 1,230 N/A			

See Note 5 to the Consolidated Financial Statements, included as part of this Form 10-K, for information relating to the mortgages payable of the Partnership and its Subsidiary Partnerships.

Condominium Units

The Partnership owns and leases to residential tenants 19 Condominium Units in the metropolitan Boston area of Massachusetts.

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Table of Contents

The table below lists the location of the 19 Condominium Units, the type of units, the range of rents received by the Partnership for such units, and the number of vacancies as of February 2, 2009.

Condominiums	Number and Type of Units Owned by Partnership	Rent Range	Vacancies	Mortgage Balance and Interest Rate As of December 31, 2008	Maturity Date of Mortgage
Riverside Apartments 8 20 Riverside Street Watertown, MA	19 units 0 three-bedroom 12 two-bedroom 5 one-bedroom 2 studios	N/A \$1,125 1,350 \$1,075 1,245 \$925	1		

Commercial Properties

BOYLSTON DOWNTOWN LP. In 1995, this Subsidiary Partnership acquired the Boylston Downtown property in Boston, Massachusetts ("Boylston"). This mixed-use property includes 17,218 square feet of rentable commercial space. As of February 2, 2009, the commercial space had a 0% vacancy rate, and the average gross rent per square foot was \$22.74. The Partnership also rents roof space for a cellular phone antenna at an average rent of approximately \$20,000 per year through June 30, 2011. For mortgage balance, interest rate and maturity date information, see "Apartment Complexes," above.

HAMILTON OAKS ASSOCIATES, LLC. The Hamilton Oaks Apartment complex, acquired by the Partnership in December 1999 through Hamilton Oaks Associates, LLC, includes 6,075 square feet of rentable commercial space, occupied by a daycare center. As of February 2, 2009, the commercial space was fully occupied, and the average rent per square foot was \$11.50. The Partnership also rents roof space for a cellular phone antenna at an average rent of approximately \$29,000 per year through November 2010. For mortgage balance, interest rate and maturity date information, see "Apartment Complexes," above.

LINHART LP. In 1995, the Partnership acquired the Linhart property in Newton, Massachusetts ("Linhart"). This mixed-use property includes 21,055 square feet of rentable commercial space. As of February 2, 2009, the commercial space had a 0% vacancy rate, and the average gross rent per square foot was \$24.14. For mortgage balance, interest rate and maturity date information see "Apartment Complexes," above.

NORTH BEACON 140 LP. In 1995, this Subsidiary Partnership acquired the North Beacon property in Boston, Massachusetts ("North Beacon"). This mixed-use property includes 1,050 square feet of rentable commercial space. The property was fully rented as of February 2, 2009, and the average rent per square foot as of that date was \$27.32. For mortgage balance, interest rate and maturity date information see "Apartment Complexes," above.

STAPLES PLAZA. In 1999, the Partnership acquired the Staples Plaza shopping center in Framingham, Massachusetts ("Staples Plaza"). The shopping center consists of 39,600 square feet of rentable commercial space. As of December 31, 2008, the mortgage had an outstanding balance of \$3,493,725 with interest rate of 8.0%. The refinance of this property was closed in March 2008. The new mortgage is \$6,000,000 with interest rate of 5.97%, matures in 2018. As of February 2, 2009, Staples Plaza was fully occupied, and the average net rent per square foot was \$23.22.

HAMILTON LINEWT ASSOCIATES, LLC. In 2007, the Partnership acquired a retail block in Newton, Massachusetts. The property consists of approximately 6,000 square feet of rentable commercial space. The property was fully rented at an average rent of \$39.91 per square foot. The Partnership obtained a mortgage in January 2008 of \$1,700,000 on this property. The interest rate is 5.75%, interest only, and matures in January 2018.

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Table of Contents

HAMILTON CYPRESS LLC. In 2008, the Partnership acquired a medical office building in Brookline, Massachusetts. The property consists of approximately 20,000 square feet of rentable commercial space. The property was fully rented at an average rent of \$33.77 per square foot. The Partnership assumed a mortgage of approximately \$4,011,000. The interest rate is 5.92% and matures in May 2013.

Investment Properties

See Note 14 to the Financial Statements and Exhibit 99.1 for additional information regarding the Investment Properties.

The Partnership has a 50% ownership interest in the properties summarized below:

Investment Properties	Number and Type of Units	Range	Vacancies	Mortgage Balance and Interest Rate As of December 31, 2008	Maturity Date of Mortgage
345 Franklin, LLC(B) 345 Franklin Street Cambridge, MA	40 Units 0 three-bedroom 39	N/A \$2,000 2,450	1	\$7,461,483 6.90%	2014
Hamilton on Main Apartments, LLC(B) 223 Main Street Watertown, MA	148 Units 0 three-bedroom 90 two-bedroom 40 one-bedroom 18 studios	N/A \$1,000 1,575 \$1,125 1,450 \$875 1,225	0	\$16,640,374 5.18%	2015
Hamilton Minuteman, LLC(B) 1 April Lane Lexington, MA	42 Units 0 three-bedroom 40 two-bedroom 2 one-bedroom 0 studios	N/A \$1,320 1,625 \$1,175 1,400 N/A	0	\$5,500,000 5.67%	2017
Hamilton Essex 81 LLC(B) Residential 81 83 Essex Street Boston, Massachusetts	49 Units 0 three-bedroom 7 two-bedroom 42 one-bedroom	N/A \$1,335 1,900 \$1,145 1,385	2	\$8,600,000 5.88%	2015
Hamilton Essex Development LLC(B) Commercial 81 83 Essex Street Boston, Massachusetts	1 Unit		0	\$2,162,000 Libor +2.25%	2011
Hamilton 1025, LLC(B)	48 Units		0	\$5,000,000	2016

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Units to be retained	0	N/A		5.67%	
	three-bedroom				
1025 Hancock Street	32	\$1,325	1,450		
	two-bedroom				
Quincy, Massachusetts	16	\$1,125	1,250		
	one-bedroom				
	0 studio	N/A			
Hamilton Bay, LLC(A)	15 Units		2	\$1,808,000	2013
Units held for sale	0	N/A		5.75%	
	three-bedroom				
165 185 Quincy Shore Drive	0 two-bedroom	N/A			
Quincy, Massachusetts	16	\$1,171	1,300		
	one-bedroom				

13

Table of Contents

Investment Properties	Number and Type of Units	Range	Vacancies	Mortgage Balance and Interest Rate As of December 31, 2008	Maturity Date of Mortgage
Hamilton Bay Apartments, LLC(B) 165 185 Quincy Shore Drive Quincy, Massachusetts	48 Units 0 three-bedroom 24 two-bedroom 24 one-bedroom	N/A \$1,500 1,675 \$1,225 1,300	1	\$4,750,000 5.57%	2017

(A) Represents unsold units at February 2, 2009.

(B) Represents units to be retained.

345 FRANKLIN, LLC. In November 2001, the Partnership acquired, through this LLC, a 50% interest in a 40-unit apartment building in Cambridge, Massachusetts. This property has a 12-year mortgage, which is amortized on a 30-year schedule, with a final payment of approximately \$6,000,000 due in 2014.

HAMILTON ON MAIN, LLC. In August 2004, the Partnership acquired for approximately \$8,000,000 a 50% interest in a six building 280-unit apartment complex in Watertown, Massachusetts for \$56,000,000. A \$43,000,000 mortgage was obtained on the buildings. This acquisition was subsequently split into two parcels of three buildings with the intention of selling 137 apartments in three buildings as condominiums and retaining 146 units, after additional modifications were made, in three buildings. At December 31, 2008, all 137 of the units were sold.

In February 2005, Hamilton on Main obtained a new ten year mortgage on the three buildings to be retained for \$16,825,000 interest only at 5.18% for three years and amortizing on a 30 year schedule for the remaining seven years when the balance is due. The net proceeds after funding escrow accounts and closing costs on the new mortgage were approximately \$16,700,000, which was used to reduce the existing mortgage. Hamilton Place incurred losses in 2005 of approximately \$400,000 in connection with this early extinguishment of debt. The three retained buildings are now called Hamilton on Main Apartments, LLC.

HAMILTON MINUTEMAN, LLC. In August 2004, the Partnership acquired, through this LLC, a 50% interest in a 42-unit apartment building in Lexington, Massachusetts for approximately \$10,000,000. Each investor invested approximately \$5,075,000 to initially fund the purchase price of the property. In October 2004, the Partnership obtained a three year mortgage on the property in the amount of \$8,025,000 and returned \$3,775,000 to the Partnership. In January 2007, the original mortgage was refinanced for \$5,500,000. This refinancing required a capital contribution by the Partnership of \$1,250,000. The new mortgage, which matures in 2017, has an interest rate of 5.67% interest only for five years with a 30-year amortization thereafter.

HAMILTON ESSEX 81, LLC. On March 7, 2005, the Partnership invested \$2,000,000 for a 50% ownership interest in a building comprising 49 apartments, one commercial space and a 50-car surface parking lot located in Boston, Massachusetts. The purchase price was \$14,300,000, with a \$10,750,000 mortgage. The Partnership plans to operate the building and initiate development of the parking lot. In June 2007, the Partnership separated the parcels, formed an additional limited liability company for the residential apartments and obtained a mortgage on the property. The new limited liability company formed for the residential apartments was referred to as Hamilton Essex 81 Apartments, LLC. In August 2008, the Partnership restructured the mortgages on both parcels at Essex 81 and transferred the residential apartments to Hamilton Essex 81, LLC. The mortgage on Hamilton Essex 81, LLC is \$8,600,000 with interest only at 5.79% due in August 2015. The mortgage on Hamilton Essex Development, LLC is \$2,162,000 with a variable interest rate of 2.25% over the daily Libor rate (.135% at December 31, 2008) and is due in August 2011. The investment in the parking lot is referred to as

Table of Contents

Hamilton Essex Development, LLC; the investment in the apartments is referred to as Hamilton Essex 81, LLC.

HAMILTON 1025, LLC. On March 2, 2005, the Partnership invested \$2,352,000 for a 50% ownership interest in a 176-unit apartment complex with an additional small commercial building located in Quincy, Massachusetts. The purchase price was \$23,750,000. The Partnership plans to sell the majority of units as condominiums and retain 49 units for long-term investment. The Partnership obtained a new 10-year mortgage in the amount of \$5,000,000 on the units to be retained by the Partnership. The interest on the new loan is 5.67% fixed for the 10 year term with interest only payments for five years and amortized over a 30 year period for the balance of the loan term. As of February 2, 2009, all of the 127 units have been sold. Gains from the sales of units (approximately \$60,000 per unit) will be taxed at ordinary income rates. This investment is referred to as Hamilton 1025, LLC.

HAMILTON BAY, LLC. On October 3, 2005, the Partnership invested \$2,500,000 for a 50% ownership interest in a 168-unit apartment complex in Quincy, Massachusetts. The purchase price was \$30,875,000 and a \$26,165,127 30-month mortgage with a floating interest rate of 2% over the 30 day Libor Index (.135% at December 31, 2008) was obtained to finance this acquisition. The Partnership plans to sell the majority of units as condominium and retain 48 units for long-term investment. The proceeds from the condominium sales will primarily be used to reduce the above-mentioned mortgage. As of December 31, 2008, the mortgage balance on this property was \$1,808,000. As of February 2, 2009, 105 units have been sold and 1 unit is under agreement. In February 2007, the Partnership refinanced the units to be retained for \$4,750,000. The interest rate is 5.57%, interest only for five years with a 30 year amortization thereafter until maturity in 2017. These 48 units are referred to as Hamilton Bay Apartments, LLC.

ITEM 3. LEGAL PROCEEDINGS

The Partnership, the Subsidiary Partnerships and their properties are not presently subject to any material litigation, and, to management's knowledge, there is not any material litigation presently threatened against them. The Partnership and Subsidiary Partnerships are occasionally subject to ordinary routine legal and administrative proceedings incident to the ownership of residential and commercial real estate. Some of the legal and other expenses related to these proceedings are covered by insurance and none of these costs and expenses are expected to have a material adverse effect on the Consolidated Financial Statements of the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Each Class A Unit is exchangeable, through Computershare Trust Company ("Computershare") (formerly Equiserve LP), the Partnership's Depository Agent, for ten Depository Receipts ("Receipts"). The Receipts are listed and publicly traded on the NYSE Alternext U.S. Exchange under the symbol "NEN." There has never been an established trading market for the Class B Units or General Partnership Units.

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Table of Contents

In 2008, the high and low bid quotations for the Receipts were \$81.50 and \$54.00 respectively. The table below sets forth the high and low bids for each quarter of 2008 and 2007 and the distributions paid on the Partnership's Depository Receipts:

	2008				2007			
	Low Bid	High Bid	Close	Distributions	Low Bid	High Bid	Close	Distributions
First Quarter	\$66.25	\$ 81.50	\$79.00	\$ 0.70	\$78.50	\$ 93.00	\$85.99	\$ 0.70
Second Quarter	\$72.20	\$ 79.50	\$73.75	\$ 0.70	\$76.00	\$ 87.49	\$84.00	\$ 0.70
Third Quarter	\$70.00	\$ 79.75	\$71.00	\$ 0.70	\$71.70	\$ 85.00	\$79.90	\$ 0.70
Fourth Quarter	\$54.00	\$ 70.75	\$54.28	\$ 0.70	\$65.25	\$ 81.00	\$68.55	\$ 0.70

Distribution to Limited & General Partners were:

	2008	2007
Class A Limited Partners (80%)	\$3,134,326	\$3,826,535
Class B Limited Partners (19%)	744,403	908,802
Class C General Partner (1%)	39,177	47,832
Total	\$3,917,907	\$4,783,169

On February 27, 2009, the closing price on the NYSE Alternext U.S. Exchange for a Depository Receipt was \$53.41. There were 1,072,172 Depository Receipts outstanding held by 1,257 shareholders.

Any portion of the Partnership's cash, which the General Partner deems not necessary for cash reserves, is distributed to the Partners, and distributions are made on a quarterly basis. The Partnership has made annual distributions to its Partners since 1978. In each of 2008 and 2007, the Partnership made total distributions of \$28.00 per Unit, (\$2.80 per Receipt). The total value of the distribution in 2008 was \$3,917,907 and \$4,783,169 in 2007. In February 2009, the Partnership declared a quarterly distribution of \$7.00 per Unit (\$.70 per Receipt) payable on March 31, 2009.

See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for certain information relating to the number of holders of each class of Units. The Partnership does not have any securities authorized for issuance pursuant to any equity compensation plans.

Issuer Purchases of Equity Securities During the Fourth Quarter of 2008

Period	Average Price Paid	Depository Receipts Purchased as Part of Publicly Announced Plan	Remaining Number of Depository Receipts that may be purchased Under the Plan (as amended)
October 1-31, 2008	63.41	20,100	145,656
November 1-30, 2008	59.75	10,000	135,656
December 1-31, 2008	57.84	1,700	133,956
Total	\$ 61.96	294,687	133,956

Table of Contents

On August 20, 2007, the General Partner of the Partnership authorized a Depositary Receipt Repurchase Program pursuant to which the Partnership was authorized to purchase up to 100,000 receipts of its authorize and issued Depositary Receipts. On January 15, 2008, the General Partner authorized an increase in the total number of Depositary Receipts that could be repurchased pursuant to the Repurchase Program from 100,000 to 200,000. On January 30, 2008, the General Partner authorized an increase in the total number of Depositary Receipts that could be repurchased pursuant to the Repurchase Program from 200,000 to 300,000. On March 10, 2008, the General Partner authorized an increase in the total number of Depositary Receipts that could be repurchased pursuant to the Repurchase Program from 300,000 to 500,000.

See Note 8 to the Consolidated Financial Statements for information concerning this repurchase program.

The program will expire August 19, 2009 unless otherwise terminated or renewed by the General Partner. The authority may be exercised from time to time and in such amounts as market conditions warrant. Any repurchases are intended to make appropriate adjustments to the Partnership's capital structure.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among New England Realty Assoc. L.P., The AMEX Composite Index
And The FTSE NAREIT All Index

* \$100 invested on 12/31/03 in stock & index including reinvestment of dividends.
Fiscal year ending December 31.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is included on page 40 of this Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

Certain information contained herein includes forward looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Liquidation Reform Act of 1995 (the "Act"). Forward looking statements in this report, or which management may make orally or in written form from time to time, reflect management's good faith belief when those statements are made, and are based on information currently available to management. Caution should be exercised in interpreting and relying on such forward looking statements, the realization of which may be impacted by known and unknown risks and uncertainties, events that may occur subsequent to the forward looking statements, and other factors which may be beyond the Partnership's control and which can materially affect the Partnership's actual results, performance or achievements for 2008 and beyond. Should one or more of the risks or uncertainties mentioned below materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We expressly disclaim any responsibility to update our forward looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Along with risks detailed in Item 1A and from time to time in the Partnership's filings with the Securities and Exchange Commission, some factors that could cause the Partnership's actual results, performance or achievements to differ materially from those expressed or implied by forward looking statements include but are not limited to the following:

The Partnership depends on the real estate markets where its properties are located, primarily in Eastern Massachusetts, and these markets may be adversely affected by local economic market conditions, which are beyond the Partnership's control.

The Partnership is subject to the general economic risks affecting the real estate industry, such as dependence on tenants' financial condition, the need to enter into new leases or renew leases on terms favorable to tenants in order to generate rental revenues and our ability to collect rents from our tenants. The Partnership is also impacted by changing economic conditions making alternative housing arrangements more or less attractive to the Partnership's tenants, such as the interest rates on single family home mortgages and the availability and purchase price of single family homes in the Greater Boston metropolitan area.

The Partnership is subject to significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs, which are generally not reduced when circumstances cause a reduction in revenues from a property.

The Partnership is subject to increases in heating and utility costs that may arise as a result of economic and market conditions and fluctuations in seasonal weather conditions.

Civil disturbances, earthquakes and other natural disasters may result in uninsured or underinsured losses.

Actual or threatened terrorist attacks may adversely affect our ability to generate revenues and the value of our properties.

Table of Contents

Financing or refinancing of Partnership properties may not be available to the extent necessary or desirable, or may not be available on favorable terms.

The Partnership properties face competition from similar properties in the same market. This competition may affect the Partnership's ability to attract and retain tenants and may reduce the rents that can be charged.

Given the nature of the real estate business, the Partnership is subject to potential environmental liabilities. These include environmental contamination in the soil at the Partnership's or neighboring real estate, whether caused by the Partnership, previous owners of the subject property or neighbors of the subject property, and the presence of hazardous materials in the Partnership's buildings, such as asbestos, lead, mold and radon gas. Management is not aware of any material environmental liabilities at this time.

Insurance coverage for and relating to commercial properties is increasingly costly and difficult to obtain. In addition, insurance carriers have excluded certain specific items from standard insurance policies, which have resulted in increased risk exposure for the Partnership. These include insurance coverage for acts of terrorism and war, and coverage for mold and other environmental conditions. Coverage for these items is either unavailable or prohibitively expensive.

Market interest rates could adversely affect market prices for Class A Partnership Units and Depositary Receipts as well as performance and cash flow.

Changes in income tax laws and regulations may affect the income taxable to owners of the Partnership. These changes may affect the after-tax value of future distributions.

The Partnership may fail to identify, acquire, construct or develop additional properties; may develop or acquire properties that do not produce a desired or expected yield on invested capital; may be unable to sell poorly- performing or otherwise undesirable properties quickly; or may fail to effectively integrate acquisitions of properties or portfolios of properties.

Risk associated with the use of debt to fund acquisitions and developments.

Competition for acquisitions may result in increased prices for properties.

Any weakness identified in the Partnership's internal controls as part of the evaluation being undertaken by the Company and its independent public accountant pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 could have an adverse effect on the Company's business.

Ongoing compliance with Sarbanes-Oxley Act of 2002 may require additional personnel or systems changes.

The foregoing factors should not be construed as exhaustive or as an admission regarding the adequacy of disclosures made by the Partnership prior to the date hereof or the effectiveness of said Act. The Partnership expressly disclaims any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

The real estate market in the Greater Boston area has softened, and the Partnership anticipates the climate will remain the same in the foreseeable future. This may result in increases in vacancy rates and/or a reduction in some rents. The Partnership believes its present cash reserves as well as anticipated rental revenue will be sufficient to fund its current operations, finance current planned improvements to its properties, and continue distribution payments in the foreseeable future. Continued deterioration and/or loss of a significant commercial tenant may result in the Partnership recording an impairment loss in the future.

Table of Contents

Since the Partnership's long-term goals include the acquisition of additional properties, a portion of the proceeds from the refinancing and sale of properties is reserved for this purpose. The Partnership will consider refinancing or selling existing properties if the Partnership's cash reserves are insufficient to repay existing mortgages or if the Partnership needs additional funds for future acquisitions.

Management believes that the financial crisis that was set in motion by the subprime lending debacle in 2007 will take longer to be worked through than previous recessions. As such, we believe that the national recession and daily tightening of credit will continue into 2010 and that the recovery will be slow and steady thereafter. While the nation is suffering from the flu, our regional economy is presently experiencing a cold and we do expect the local economy to deteriorate further from its existing condition. Management does believe that unemployment, job losses and general contraction will continue to occur locally, but perhaps not to the extent of the national economy.

For 2008, the Partnership's cores revenues exceeded the previous year's revenues by 4%. Occupancy remained above 97 percent for most of the year and bad debt did not rise to levels previously anticipated by Management. While operating expense rose by just 1%, overall core operating expenses rose by 4% attributed to rising utility costs, snow plowing, turnover, administration related to one time legal expenses and rising real estate taxes. For 2009, the Partnership properties are all experiencing high occupancy and in some cases revenue gains are being accomplished. However, Management believes that any increase in bottom line net operating income will be buffeted by a rise in bad debt, higher vacancy (in the latter half of 2009), higher turnover costs, higher than average winter storm removal costs and higher utility expenses give the colder than average winter as compared to last year. Collectively, Management believes that the deteriorating economy will negatively impact both revenue and operating expenses mitigating any earnings per share growth for 2009.

For 2008, the Partnership sold two assets deemed not strategic to the long term growth of the partnership and through a tax free exchange provider, acquired two properties more in line with the Partnerships strengths and substantially mitigated capital gains tax.

Management believes that the purchasing power of the Management Company continues to buffer larger increases in operating expenses. In 2008, the Partnership financed approximately \$65,000,000 of mortgage debt for 15 years at sub 6% rates. The Partnership has accordingly mitigated financing concerns and locked in interest rates to the benefit of the shareholders. The next serious refinancing round of approximately \$45,000,000 will not occur until 2012/2013. Management anticipates that stability will have returned to the marketplace at that time. For 2009, Management will be recommending that the quarterly distributions continue and will review its status in late 2009.

The Stock Repurchase Program that was initiated in 2007 has purchased 378,024 depository receipts through February 2009 or 27% of the outstanding class A Depository Receipts. Given the lack of alternative investments, liquidity markets and the current share price, Management continues to support the buyback program and believe it to be accretive to the remaining shareholders. Management continues to be active bidding on commercial real estate within Massachusetts and remains poised to acquire real estate it deems opportune given the current selling and financing environment.

The Partnership has retained The Hamilton Company ("Hamilton") to manage and administer the Partnership's and Joint Ventures' Properties. Hamilton is a full-service real estate management company, which has legal, construction, maintenance, architectural, accounting and administrative departments. The Partnership's properties represent approximately 40% of the total properties and 70% of the residential properties managed by Hamilton. Substantially all of the other properties managed by Hamilton are owned, wholly or partially, directly or indirectly, by Harold Brown. The Partnership's Second Amended and Restated Contract of Limited Partnership (the "Partnership Agreement") expressly provides that the general partner may employ a management company to manage the properties, and that such management company may be paid a fee of 4% of rental receipts

Table of Contents

for administrative and management services (the "Management Fee"). The Partnership pays Hamilton the full annual Management Fee, in monthly installments.

At February 27, 2009, Harold Brown, his brother Ronald Brown and the President of Hamilton, Carl Valeri, collectively own approximately 38% of the Depositary Receipts representing the Partnership Class A Units (including Depositary Receipts held by trusts for the benefit of such persons' family members). Harold Brown also owns 75% of the Partnership's Class B Units, 75% of the capital stock of NewReal, Inc. ("NewReal"), the Partnership's sole general partner, and all of the outstanding stock of Hamilton. Ronald Brown also owns 25% of the Partnership's Class B Units and 25% of NewReal's capital stock. In addition, Ronald Brown is the President and director of NewReal and Harold Brown is NewReal's Treasurer and a director. Two of NewReal's other directors, Roberta Ornstein and Conrad DiGregorio, also own immaterial amounts of the Partnership's Class A Units or receipts.

In addition to the Management Fee, the Partnership Agreement further provides for the employment of outside professionals to provide services to the Partnership and allows NewReal to charge the Partnership for the cost of employing professionals to assist with the administration of the Partnership's properties. Additionally, from time to time, the Partnership pays Hamilton for repairs and maintenance services, legal services, construction services and accounting services. The costs charged by Hamilton for these services are at the same hourly rate charged to all entities managed by Hamilton, and management believes such rates are competitive in the marketplace.

Hamilton accounted for approximately 5% of the repair and maintenance expense paid for by the Partnership in the years ended December 31, 2008 and 2007. Of the funds paid to Hamilton for this purpose, the great majority was to cover the cost of services provided by the Hamilton maintenance department, including plumbing, electrical, carpentry services, and snow removal for those properties close to Hamilton's headquarters. However, several of the larger Partnership properties have their own maintenance staff. Further, those properties that do not have their own maintenance staff and are located more than a reasonable distance from Hamilton's headquarters in Allston, Massachusetts are generally serviced by local, independent companies.

Hamilton's legal department handles most of the Partnership's eviction and collection matters. Additionally, it prepares most long-term commercial lease agreements and represents the Partnership in selected purchase and sale transactions. Overall, Hamilton provided approximately 50% of the legal services paid for by the Partnership during the year ended December 31, 2008 and approximately 59% for the year ended December 31, 2007.

Additionally, as described in Note 3 to the consolidated financial statements, The Hamilton Company receives similar fees from the Investment Properties.

R. Brown Partners, which is owned by Ronald Brown, managed the condominium association containing five condominium units which were sold in 2008 located in Brookline, Massachusetts. That entity received annual management fees from the five units of approximately \$1,500, and Hamilton reduced its management fees to approximately 2%, so that the total management fee will not exceed the 4% allowed by the Partnership's Partnership Agreement.

The Partnership requires that three bids be obtained for construction contracts in excess of \$5,000. Hamilton may be one of the three bidders on a particular project and may be awarded the contract if its bid and its ability to successfully complete the project are deemed appropriate. For contracts that are not awarded to Hamilton, Hamilton charges the Partnership a construction supervision fee equal to 5% of the contract amount. Hamilton's architectural department also provides services to the Partnership on an as-needed basis. In 2008, Hamilton provided the Partnership approximately \$67,000 in construction and architectural services. In 2007, Hamilton provided construction and architectural services paid for by the Partnership totaling \$750,000.

Table of Contents

Prior to 1991, the Partnership employed an outside, unaffiliated company to perform its bookkeeping and accounting functions. Since that time, such services have been provided by Hamilton's accounting staff, which consists of approximately 14 people. In 2008, Hamilton charged the Partnership \$100,000 per year (\$25,000 per quarter) for bookkeeping and accounting services. In 2009, Hamilton will charge the Partnership \$100,000 for bookkeeping and accounting services (\$25,000 per quarter.)

For more information on related party transactions, see Note 3 to the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements, in accordance with accounting principles generally accepted in the United States of America, requires the Partnership to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. The Partnership regularly and continually evaluates its estimates, including those related to acquiring, developing and assessing the carrying values of its real estate properties and its investments in and advances to joint ventures. The Partnership bases its estimates on historical experience, current market conditions, and on various other assumptions that are believed to be reasonable under the circumstances. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. The Partnership's critical accounting policies are those which require assumptions to be made about such matters that are highly uncertain. Different estimates could have a material effect on the Partnership's financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions and circumstances. See Note 1 to the Consolidated Financial Statements, Principles of Consolidation.

Revenue Recognition: Rental income from residential and commercial properties is recognized over the term of the related lease. For residential tenants, amounts 60 days in arrears are charged against income. The commercial tenants are evaluated on a case by case basis. Certain leases of the commercial properties provide for increasing stepped minimum rents, which are accounted for on a straight-line basis over the term of the lease.

Real Estate and Depreciation: Real estate assets are stated at the lower of cost or fair value, less accumulated depreciation. Costs related to the acquisition, development, construction and improvement of properties are capitalized, including interest, wages and benefits, real estate taxes and insurance. Capitalization usually begins with commencement of development activity and ends when the property is ready for leasing. Replacements and improvements, such as HVAC equipment, structural replacements, windows, appliances, flooring, carpeting and kitchen/bath replacements and renovations, are capitalized and depreciated over their estimated useful lives as follows:

Depreciation is computed on the straight-line and accelerated methods over the estimated useful lives of the related assets. In assessing estimated useful lives, the Partnership makes assumptions based on historical experience acquired from both within and outside the Partnership. These assumptions have a direct impact on the Partnership's net income.

Ordinary repairs and maintenance, such as unit cleaning and painting and appliance repairs, are expensed.

Impairment: On an annual basis management assesses whether there are any indicators that the value of the Company's rental properties may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the

Table of Contents

property over the fair value of the property. The Company's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved. The Partnership has not recognized an impairment loss since 1995.

Rental Property Held for Sale and Discontinued Operations: When assets are identified by management as held for sale, the Partnership discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established. Properties identified as held for sale and/or sold are presented in discontinued operations for all periods presented.

Investments in Partnerships: The Partnership accounts for its 50% ownership in the Investment Properties under the equity method of accounting, as it exercises significant influence over, but does not control these entities. These investments are recorded initially at cost, as Investments in Partnerships, and subsequently adjusted for the Partnership's share in earnings, cash contributions and distributions. Under the equity method of accounting, our net equity is reflected on the consolidated balance sheets, and our share of net income or loss from the Partnership is included on the consolidated statements of income.

With respect to investments in and advances to the Investment Properties, the Partnership looks to the underlying properties to assess performance and the recoverability of carrying amounts for those investments in a manner similar to direct investments in real estate properties. An impairment charge is recorded if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property.

Legal Proceedings: The Partnership is subject to various legal proceedings and claims that arise, from time to time, in the ordinary course of business. These matters are frequently covered by insurance. If it is determined that a loss is likely to occur, the estimated amount of the loss is recorded in the financial statements. Both the amount of the loss and the point at which its occurrence is considered likely can be difficult to determine.

RESULTS OF OPERATIONS

Years ended December 31, 2008 and December 31, 2007 (as adjusted for discontinued operations)

The Partnership and its Subsidiary Partnerships earned income before other income and loss and discontinued operations of approximately \$9,784,000 during the year ended December 31, 2008, compared to approximately \$8,668,000 for the year ended December 31, 2007, an increase of approximately \$1,116,000 (12.9%).

Table of Contents

The rental activity is summarized as follows:

	Occupancy Date	
	February 2, 2009	February 1, 2008
Residential		
Units exclusive of available for sale units	2,269	2,316
Vacancies	67	58
Vacancy rate	3.0%	2.4%
Commercial		
Total square feet	114,395	90,848
Vacancy	0	0
Vacancy rate	0%	0%

	Rental Income (in thousands)			
	Year Ended December 31,			
	2008		2007	
	Total Operations	Continuing Operations	Total Operations	Continuing Operations
Total rents	\$ 34,140	\$ 31,898	\$ 31,985	\$ 30,556
Residential percentage	92%	92%	93%	93%
Commercial percentage	8%	8%	7%	7%
Contingent rentals	\$ 467	\$ 467	\$ 366	\$ 366

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Table of Contents

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007:

	Year Ended December 31,		Dollar	Percent
	2008	2007	Change	Change
Revenues:				
Rental income	\$ 31,898,117	\$30,556,042	\$ 1,342,075	4.4%
Laundry and sundry income	399,028	386,584	12,444	3.2%
	32,297,145	30,942,626	1,354,519	4.4%
Expenses				
Administrative	1,726,610	1,605,604	121,006	7.5%
Depreciation and amortization	6,367,596	6,757,893	(390,297)	(5.8)%
Management fees	1,316,594	1,254,289	62,305	5.0%
Operating	4,250,345	4,038,132	212,213	5.3%
Renting	495,822	486,464	9,358	1.9%
Repairs and maintenance	4,883,987	4,731,373	152,614	3.2%
Taxes and insurance	3,472,518	3,400,829	71,689	2.1%
	22,513,472	22,274,584	238,888	1.1%
Income Before Other Income and Discontinued Operations	9,783,673	8,668,042	1,115,631	12.9%
Other Income (Loss)				
Interest expense	(7,704,843)	(7,340,580)	(364,263)	5.0%
Interest income	172,133	382,154	(210,021)	(55)%
Casualty (loss)	(7,439)	(189,633)	182,194	(96.1)%
Mortgage prepayment penalties	(4,487,706)		(4,487,706)	
(Loss) from investment in unconsolidated joint ventures	(1,075,675)	(326,392)	(749,283)	(229.6)%
Other income (loss)	(86,693)		(86,693)	
	(13,190,223)	(7,474,451)	(5,715,772)	76.5%
Income from Continuing Operations	(3,406,550)	1,193,591	(4,600,141)	(385.4)%
Discontinued Operations:				
Income from discontinued operations	(110,886)	93,141	(204,027)	(219.1)%
Gain (loss) on sale of real estate from discontinued operations	10,099,127	(100,000)	10,199,127	(10199.1)%
	9,988,261	(6,859)	9,995,120	(145722.7)%
Net Income	\$ 6,581,711	\$ 1,186,732	\$ 5,394,979	454.6%

Rental income from continuing operations for the year ended December 31, 2008 was approximately \$31,898,000, compared to approximately \$30,556,000 for the year ended December 31, 2007, an increase of approximately \$1,342,000 (4.4%). Properties with significant increases in rental income include the 62 Boylston Street, Westgate Apartments, and 1144 Commonwealth Avenue. Additionally, the Partnership's acquisition of Linewt in October 2007 represents approximately \$226,000 of this increase and the acquisition of Cypress Street in October 2008 represents approximately \$172,000 of this increase.

Operating expenses from continuing operations for the year ended December 31, 2008 were approximately \$22,513,000 compared to approximately \$22,275,000 for the year ended December 31, 2007, an increase of approximately \$239,000 (1.1%). The most significant factors contributing to this increase were: an increase in operating expenses of approximately \$212,000 (5.3%) due to an increase

Table of Contents

in utilities and snow removal costs; an increase in repairs and maintenance expenses of approximately \$153,000 (3.2%) due to increases in salaries as well as equipment repairs; an increase in administrative expenses of approximately \$121,000 (7.5%) due to an increase in professional fees; an increase in taxes and insurance of approximately \$72,000 (2.1%) due to expenses on two new properties; and an increase in the management fee of approximately \$62,000 (5.0%) due to an increase in rental income.

These increases in expenses are offset by a decrease in depreciation and amortization of approximately \$390,000 (5.8%) substantially due to a reduction in the depreciation expense at School Street as \$3 million in 5 years property was fully depreciated prior to the end of 2008.

Interest expense increased approximately \$364,000 (5.0%) due to the refinancing of Partnership properties resulting in a higher level of debt offset by lower interest rates.

At December 31, 2008, the Partnership has a 50% ownership interest in nine different Investment Properties. See a description of these properties included in the section titled Investment Properties as well as Note 14 to the Consolidated Financial Statements for a detail of the financial information of each Investment Property.

As described in Note 14 to the Consolidated Financial Statements, the Partnership's share of the net loss from the 50% owned Investment Properties was approximately \$1,076,000. Included in this loss is depreciation expense of approximately \$1,913,000 and a gain on the sale of units of approximately \$438,000. There were 21 units sold in 2008. The operating loss can be further attributable to absorbing the expenses of vacant units being held for sale as described in Note 2 to the Consolidated Financial Statements. In 2007, the Partnership's share of loss was approximately \$326,000. Included in the Partnership's share of loss was a gain on the sale of units of approximately \$1,639,500 and depreciation expense of \$2,159,000. There were 129 units sold in 2007.

Interest income for the year ended December 31, 2008 was approximately \$172,000 compared to approximately \$382,000 for the year ended December 31, 2007, a decrease of approximately \$210,000. This decrease is due to a drop in interest rates.

In 2008, the Partnership refinanced a number of mortgages with outstanding 8.44% mortgages of approximately \$37,800,000 with new mortgages totaling approximately \$60,000,000. Non-recurring prepayment penalties of approximately \$4,488,000 were incurred in these transactions and are included in other expenses.

During 2008, the Partnership sold the Oak Ridge Apartments in Foxboro, Massachusetts, the Coach Apartments in Acton, Massachusetts and five condominiums located in Brookline, Massachusetts. The net loss from operations from these properties is approximately \$111,000 and the gain on the sale of the properties is approximately \$10,000,000. This resulted in a net income from discontinued operations of approximately \$9,988,000.

As a result of the changes discussed above, the sale of Partnership properties, and non recurring prepayment penalties, net income for the year ended December 31, 2008 was approximately \$6,582,000 compared to approximately \$1,187,000 for the year ended December 31, 2007, an increase of approximately \$5,395,000.

Table of Contents

Years ended December 31, 2007 and December 31, 2006 (as adjusted for discontinued operations)

The Partnership and its Subsidiary Partnerships earned income before other income and loss and discontinued operations of \$1,130,221 during the year ended December 31, 2007, compared to \$1,247,560 for the year ended December 31, 2006, a decrease of \$117,339 (9.4%).

The rental activity is summarized as follows:

	Occupancy Date	
	February 1, 2008	February 1, 2007
Residential		
Units exclusive of available for sale units	2,316	2,377
Vacancies	58	32
Vacancy rate	2.5%	1.3%
Commercial		
Total square feet	90,848	84,998
Vacancy	0	0
Vacancy rate	0%	0%

	Rental Income (in thousands)			
	Year Ended December 31,			
	2007		2006	
	Total Operations	Continuing Operations	Total Operations	Continuing Operations
Total rents	\$ 31,985	\$ 30,556	\$ 31,689	\$ 30,286
Residential percentage	93%	93%	93%	93%
Commercial percentage	7%	7%	7%	7%
Contingent rentals	\$ 366	\$ 366	\$ 389	\$ 389

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Table of Contents

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006 as adjusted for reclassifications and discontinued operations:

	Year Ended December 31,		Dollar	Percent
	2007	2006	Change	Change
Revenues:				
Rental income	\$ 30,556,042	\$ 30,285,886	270,156	0.9%
Laundry and sundry income	386,584	418,752	(32,168)	(7.7)%
	30,942,626	30,704,638	237,988	0.8%
Expenses				
Administrative	1,605,604	1,413,368	192,236	13.6%
Depreciation and amortization	6,757,893	6,609,862	148,031	2.2%
Management fees	1,254,289	1,242,859	11,430	0.9%
Operating	4,038,132	3,746,298	291,834	7.8%
Renting	486,464	459,524	26,940	5.9%
Repairs and maintenance	4,731,373	5,150,479	(419,106)	(8.1)%
Taxes and insurance	3,400,829	3,330,381	70,448	2.1%
	22,274,584	21,952,771	321,813	1.5%
Income Before Other Income and Discontinued Operations	8,668,042	8,751,867	(83,825)	(1.0)%
Other Income (Loss)				
Interest expense	(7,340,580)	(7,387,531)	49,951	(0.6)%
Interest income	382,154	433,921	(51,767)	(11.9)%
Casualty (loss)	(189,633)		(189,633)	NA
Income (loss) from investment in joint venture	(326,392)	(444,654)	118,262	(26.6)%
Other (loss)				NA
	(7,474,451)	(7,398,264)	(76,187)	1.0%
Income from Continuing Operations	1,193,591	1,353,603	(160,012)	(11.8)%
Discontinued Operations:				
Income from discontinued operations	93,141	49,597	43,544	87.8%
Gain (loss) on sale of real estate from discontinued operations	(100,000)		(100,000)	NA
	(6,859)	49,597	(56,456)	(113.8)%
Net Income	\$ 1,186,732	\$ 1,403,200	(216,468)	(21.1)%

Rental income from continuing operations for the year ended December 31, 2007 was approximately \$30,556,000, compared to approximately \$30,286,000 for the year ended December 31, 2006, an increase of approximately \$270,000 (0.9%). Properties with significant increases in rental income include the 1144 Commonwealth Avenue, Lincoln Street, and Westside Colonial. Additionally, the Partnership's acquisition of Linewt in October represents approximately \$45,000 of this increase. The increase in rental income at the Partnership's existing properties is due to improved occupancy levels and slight increases in rental rates.

Expenses from continuing operations for the year ended December 31, 2007 were approximately \$22,275,000, compared to approximately \$21,953,000 for the year ended December 31, 2006, an increase of approximately \$322,000 (1.5%). The most significant factors contributing to this increase were: an increase in administrative expenses of approximately \$192,000 (13.6%) due to an increase in professional fees; an increase in depreciation and amortization of approximately \$148,000 (2.2%) due

Table of Contents

to continued improvements to Partnership properties; an increase in operating expenses of approximately \$292,000 (7.8%) due to an increase in utilities and snow removal costs; an increase in taxes and insurance of approximately \$70,000 (2.1%) due to an increase in insurance premiums; an increase in renting expenses of approximately \$27,000 (5.9%) due to increases in rental commissions and an increase in the management fee of approximately \$11,000 (0.9%) due to an increase in rental income.

These increases in expenses are offset by a decrease in repairs and maintenance expenses of approximately \$419,000 (8.1%) due to significant repairs done to properties in 2006 as well as lower tenant turnover. Interest expense decreased approximately \$50,000 (0.6%) due to a lower level of debt.

At December 31, 2007, the Partnership has a 50% ownership interest in nine different Investment Properties. See a description of these properties included in the section titled Investment Properties as well as Note 14 to the Consolidated Financial Statements for a detail of the financial information of each Investment Property.

As described in Note 14 to the Consolidated Financial Statements, the Partnership's share of the net loss from the 50% owned Investment Properties was approximately \$326,000. Included in this loss is depreciation expense of approximately \$4,318,000 and a gain on the sale of units of approximately \$3,279,000. There were 129 units sold in 2007. The operating loss can be further attributable to absorbing the expenses of vacant units being held for sale as described in Note 2 to the Consolidated Financial Statements. In 2006, the Partnership's share of loss was approximately \$445,000. Included in the Partnership's share of income was a gain on the sale of units of approximately \$2,718,000 and depreciation expense of \$2,393,000. There were 104 units sold in 2006.

Interest income for the year ended December 31, 2007 was approximately \$382,000 compared to approximately \$434,000 for the year ended December 31, 2006, a decrease of approximately \$52,000. This decrease is due to a decrease in cash available for investment as well as lower interest rates.

During 2007 the Partnership suffered casualty losses at three of the properties. The net loss to the Partnership after insurance recovery is approximately \$190,000. In addition, the Partnership recorded a loss of \$100,000 on the sale of Middlesex Apartments in Brookline, Massachusetts. The Partnership revised their estimates in connection with the sale of a unit which has resulted in a charge to income of \$100,000 in 2007.

As a result of the changes discussed above, net income for the year ended December 31, 2007 was approximately \$1,187,000 compared to approximately \$1,403,000 for the year ended December 31, 2006, a decrease of approximately \$216,000.

LIQUIDITY AND CAPITAL RESOURCES

The Partnership's principal source of cash during 2008 and 2007 was the collection of rents, sale of real estate, and refinancing of partnership properties. The majority of cash and cash equivalents of \$10,752,931 at December 31, 2008 and \$6,890,525 at December 31, 2007 were held in interest bearing accounts at creditworthy financial institutions.

Table of Contents

This increase of \$3,862,406 at December 31, 2008 is summarized as follows:

	Year Ended December 31,	
	2008	2007
Cash provided by operating activities	\$ 4,412,100	\$ 8,642,625
Cash provided by (used in) investing activities	183,416	(3,506,745)
Cash provided by financing activities	26,230,642	2,145,271
Repurchase of Depositary Receipts, Class B and General Partner Units	(23,045,844)	(5,380,707)
Distributions paid	(3,917,908)	(4,783,169)
Net increase (decrease) in cash and cash equivalents	\$ 3,862,406	\$(2,882,725)

The cash provided by operating activities is primarily due to the collection of rents less cash operating expenses. The increase in cash provided by investing activities is due to the sale of properties and distributions received from the joint ventures. The increase in cash provided by financing activities is due to the refinancing of Partnership properties in 2008.

During 2008, the Partnership and its Subsidiary Partnerships completed improvements to certain of the Properties at a total cost of approximately \$3,097,000. These improvements were funded from cash reserves and, to some extent, escrow accounts established in connection with the financing or refinancing of the applicable Properties. These sources have been adequate to fully fund improvements. The most significant improvements were made at Westgate Woburn, Redwood Hills, School Street, 62 Boylston Street and Hamilton Oaks, at a cost of approximately \$645,000, \$400,000, \$252,000, \$244,000, and \$219,000, respectively. The Partnership plans to invest approximately \$2,600,000 in capital improvements in 2009.

In 2008 the Partnership repurchased 30,865 Class A Units, Class B Units and General Partnership Units at a total cost of \$23,045,844. The purchase was funded from cash received from the refinancing of Partnership properties in 2008.

On January 3, 2008, the Partnership sold the Oak Ridge Apartments, a 61-unit residential apartment complex located in Foxboro, Massachusetts. The sale price was \$7,150,000, which resulted in a gain of approximately \$6,000,000. In November 2007, the Partnership purchased a fully occupied commercial building located in Newton, Massachusetts, known as Linewt LLC. The purchase price was \$3,475,000 and the building consists of 5,850 square feet of commercial space. The Partnership utilized Section 1031 of the IRS code to affect a tax free exchange on the gain of Oak Ridge up to the purchase price of the Newton property. Most of the taxable gain of approximately \$3,000,000 will be taxed at the capital gain rates. In accordance with Section 1031, the Newton property was owned by a Qualified Intermediary for the period from the purchase date of the Newton property and the sale date of the Foxboro property. The Qualified Intermediary borrowed \$3,225,112 from Harold Brown, Treasurer of the General Partner, to purchase the Newton property. This loan was paid in full, with interest at 6% of \$34,401, from the proceeds of the Oak Ridge sale on January 3, 2008. On January 22, 2008, the Partnership financed the Newton property with a first mortgage of \$1,700,000 at 5.75% interest only until maturity in January 2018.

In April 2008, the Partnership sold the Coach Apartments, a 48 unit residential apartment complex located in Acton, Massachusetts. The sale price was \$4,600,000, which resulted in a gain of approximately \$3,800,000. In October 2008, the Partnership purchased a fully occupied medical office building located in Brookline, Massachusetts, referred to as "the Barn." The purchase price of the Barn was \$7,000,000 and it consists 20,000 square feet of commercial space. The Partnership utilized Section 1031 of the IRS code to affect a tax free exchange on the gain of Coach up to the purchase price of the Barn. This acquisition was funded from the assumption of the existing mortgage of

Table of Contents

approximately \$4,000,000, the cash from the sale of Coach of approximately \$2,600,000, and the balance of \$400,000 was funded from cash reserves.

In 2008, the Partnership sold the five condominiums located in Brookline, Massachusetts. The net proceeds from the sale of the five units was approximately \$740,000 which resulted in a gain of approximately \$240,000, which is included in gain from the sale of rental properties.

In 2008, the Partnership obtained mortgages on 13 properties. The new mortgages total approximately \$73,000,000 with interest rates ranging 5.6% to 5.97%. The new mortgages mature in 2023 and call for interest only payments. After payments of existing mortgages of approximately \$37,800,000 and prepayment penalties of approximately \$4,400,000, the excess funds were used to repurchase Depository Receipts.

The Partnership paid quarterly distributions of \$7.00 per Unit (\$0.70 per Receipt) on March 31, 2008, June 30, 2008, September 30, 2008 and December 31, 2008. The total distributions paid during the year ended December 31, 2008 were \$3,917,908 and \$4,783,169 during the year ended December 31, 2007.

In February 2009, the Partnership approved a distribution of \$7.00 per Unit (\$0.70 per Receipt) payable March 31, 2009.

The Partnership anticipates that cash from operations and interest bearing accounts will be sufficient to fund its current operations and to finance current improvements to its properties. The Partnership's net income and cash flow may fluctuate dramatically from year to year as a result of the sale of properties, increases or decreases in rental income or expenses, or the loss of significant tenants.

Off-Balance Sheet Arrangements-Joint Venture Indebtedness

As of December 31, 2008, the Partnership had a 50% ownership in nine joint ventures, all of which have mortgage indebtedness. We do not have control of these partnerships and therefore we account for them using the equity method of consolidation. At December 31, 2008, our proportionate share of the non-recourse debt related to these investments was equal to approximately \$25,961,000. See Note 14 to the Consolidated Financial Statements.

Contractual Obligations

See Notes 5 and 14 to the Consolidated Financial Statements for a description of mortgage notes payable. The Partnerships have no other material contractual obligations to be disclosed.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 31, 2008, the Partnership, its Subsidiary Partnerships and the Investment Properties collectively have approximately \$190,000,000 in long-term debt, substantially all of which pays interest at fixed rates. Accordingly, the fair value of these debt instruments is affected by changes in market interest rates. These mortgages mature through 2023. For information regarding the fair value and maturity dates of these debt obligations, see Item 2 and Notes 5, 12 and 14 to the Consolidated Financial Statements.

For additional disclosure about market risk, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Factors That May Affect Future Results".

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the Partnership appear on pages F-1 through F-34 of this Form 10-K and are indexed herein under Item 15(a)(1).

Table of Contents

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. We have evaluated the design and operation of our disclosure controls and procedures to determine whether they are effective in ensuring that the disclosure of required information is timely made in accordance with the Securities Exchange Act of 1934 ("Exchange Act") and the rules and forms of the Securities and Exchange Commission. This evaluation was made under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of our General Partner as of the end of the period covered by this annual report on Form 10-K. The CEO and CFO have concluded, based on their reviews, that our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), are effective to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Management's Report on Internal Control over Financial Reporting. We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. We assessed the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control Integrated Framework". Based on that assessment and those criteria, our management, with the participation of the CEO and CFO of the General Partner concluded that our internal control over financial reporting is effective as of December 31, 2008. Our independent registered public accounting firm, Miller Wachman LLP, has issued an audit report on management's assessment of our internal control over financial reporting, which is included in the "Report of Independent Registered Public Accounting Firm" filed under Part II, Item 8 of this report on Form 10-K.

We believe that 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.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting during the fourth quarter of 2008 that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

Table of Contents**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND COPORATE GOVERNANCE**

Our General Partner, New Real, Inc. is a Massachusetts corporation wholly owned by Harold Brown and Ronald Brown, who are brothers. Harold Brown and Ronald Brown were individual general partners of the Partnership until May 1984, when NewReal, Inc. replaced them as the sole General Partner of the Partnership. The General Partner is responsible for making all decisions and taking all action deemed by it necessary or appropriate to conduct the business of the Partnership.

The General Partner engages The Hamilton Company, Inc. to manage the properties of the Partnership and its Subsidiary Partnerships. The Hamilton Company, Inc. is wholly owned by Harold Brown. See "Item 11. Executive Compensation" for information concerning fees paid by the Partnership to The Hamilton Company during 2008.

Because the General Partner has engaged The Hamilton Company as the manager for the Properties, the General Partner has no employees.

The directors of the General Partner are Ronald Brown, Harold Brown, Guillaem Aertsen, Conrad DiGregorio, Roberta Ornstein and David Aloise. The directors of the General Partner hold office until their successors are duly elected and qualified.

Ronald Brown and Harold Brown hold all of the executive officer positions of the General Partner. The executive officers of the General Partner serve at the pleasure of the Board of Directors.

On June 14, 2001, the Board of Directors of the General Partner created an Audit Committee, in accordance with Section 3(a)(58)(A) of the Exchange Act, consisting of three members, and approved the charter of the Audit Committee. As of November 6, 2007, the Audit Committee consisted of Guillaem Aertsen, David Aloise, and Roberta Ornstein. The Board of Directors of the General Partner has determined that Guillaem Aertsen is an audit committee financial expert, as that term is defined in Item 407 of Securities and Exchange Commission Regulation S-K.

The following table sets forth the name and age of each director and officer of the General Partner and each such person's principal occupation and affiliation during the preceding five years.

Name and Position	Age	Other Position
Ronald Brown, President and Director (since 1984)	73	Associate, Hamilton Realty Company (since 1967); President, Treasurer, Clerk and Director of R. Brown Partners Inc. (since 1985); Member, Greater Boston Real Estate Board (since 1981); Director, Brookline Chamber of Commerce (since 1978); Trustee of Reservations (since 1988); Director, Brookline Music School (since 1993); President, Brookline Chamber of Commerce (1990-1992); Director, Coolidge Corner Theater Foundation (1990-1993); President, Brookline Property Owner's Association (1981-1990); Trustee, Brookline Hospital (1982-1989); Director, Brookline Symphony Orchestra (since 1996); Treasurer, Brookline Greenspace Alliance (since 1999).
Harold Brown, Treasurer and Director (since 1984)	84	Sole proprietor, The Hamilton Company, Inc. (since 1955); Trustee, Treasurer and Director of Wedgestone Realty Investors Trust (1982-1985); Chairman of the Board and principal stockholder of the Wedgestone Advisory Corporation (1980-1985); Director of AFC Financial Corp. (1983-1985); Director, Coolidge Bank and Trust (1980-1983).

Table of Contents

Name and Position	Age	Other Position
Guilliaem Aertsen, IV, Director (since 2002)	61	Chief Executive Officer, Aertsen Ventures LLC (since 1999); Co-Chairman of AGS Realty Advisors (since 1999); Director and CFO of CineCast LLC (since 1999); Member of Premier Capital LLC (since 2000); Chairman of the Board of Directors of the Massachusetts Housing Investment Corporation (since 1997); Chairman of the Board of Trustees of the Old South Church (1992-2002); Executive Vice President of BankBoston (1996-1998).
Conrad DiGregorio, Director (since 2002)	83	Member of Advisory Committee of the Partnership (1984) (see "Item 1. Business Advisory Committee"); retired from past employment.
Roberta Ornstein, Director (since 2007)	59	Senior Vice President and Managing Director, Scudder Investments/Deutsche Asset Management (1998-2005); Director and Chief Financial Officer, Summit Partners (1997-1998); Vice President, Liberty Financial (1996-1997); Senior Vice President, Shearson Lehman Brothers (1993-1994); Senior Vice President-Treasury Group, The Boston Company (1983-1993).
David Aloise, Director (since 2007)	54	Founder and principal of Aloise & Associates, LLC (since 2000); executive positions in the areas of C&I loan workout, real estate workout, corporate banking and small business banking at Bank Boston Corporation (1979-2000); Member of the Turnaround Management Association.

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Partnership's directors, executive officers, and persons who own more than 10% of a registered class of the Partnership's equity securities to file with the Securities and Exchange Commission reports of ownership changes and changes in ownership of the Partnership. Officers, directors and greater-than-10% shareholders are required by SEC regulations to furnish the Partnership with copies of all Section 16(a) forms they file.

Based solely upon a review of Forms 3 and 4 furnished to the company under Rule 16a-3(e) of the Securities Exchange Act during its most recent fiscal year, Forms 5 furnished to the company with respect to its most recent fiscal year and any written representations received by the company from persons required to file such forms, the following persons either officers, directors or beneficial owners of more than ten percent of any class of equity of the company registered pursuant to Section 12 of the Securities Exchange Act failed to file on a timely basis reports required by Section 16(a) of the Securities Exchange Act during the most recent fiscal year:

	Number of Late Reports	Number of Transactions Not Timely Reported	Number of Failures to File a Required Report
Roberta Ornstein	1	0	1(a)
Ronald Brown	2	0	2

(a) Represents the reporting person's failure to file a Form 4 upon open market purchase of Depositary Receipts.

CODE OF ETHICS

The Partnership, its General Partner and Hamilton, the Partnership's management company, have adopted a Code of Business Conduct and Ethics, which constitutes a "Code of Ethics" as defined by the SEC and applies to executive officers as well as to all other employees. A copy of the Code of Business Conduct and Ethics is available in the "NERA" section of the management company's website at www.thehamiltoncompany.com. To the extent required by the rules of the SEC, the Partnership and

Table of Contents

its related entities will disclose amendments to and waivers from the Code of Business Conduct and Ethics in the same place on the aforementioned website.

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have "Executive Compensation." As more fully described below, the Partnership employs a management company to which it pays management fees and administrative fees.

The Partnership is not required to and did not pay any compensation to its officers or the officers and directors of the General Partner in 2008. As more fully described below, the Partnership employs a management company which is solely responsible for performing all management and policy making functions for the Partnership. The only compensation paid by the Partnership to any person or entity is in the form of management fees and administrative fees paid to the General Partner, or any management entity employed by the General Partner, in accordance with the Partnership Agreement.

Specifically, the Partnership Agreement provides that the General Partner, or any management entity employed by the General Partner, is entitled to a management fee equal to 4% of the rental and other operating income from the Partnership Properties and a mortgage servicing fee equal to 0.5% of the unpaid principal balance of any debt instruments received, held and serviced by the Partnership (the "Management Fee"). The Partnership Agreement also authorizes the General Partner to charge to the Partnership its cost for employing professionals to assist with the administration of the Partnership Properties (the "Administrative Fees"). The Administrative Fee is not charged against the Management Fee. In addition, upon the sale or disposition of any Partnership Properties, the General Partner, or any management entity which is the effective cause of such sale, is entitled to a commission equal to 3% of the gross sale price (the "Commission"), provided that should any other broker be entitled to a commission in connection with the sale, the commission shall be the difference between 3% of the gross sale price and the amount to be paid to such broker.

The General Partner has engaged The Hamilton Company ("Hamilton") to operate and manage the Partnership, and in accordance with the Partnership Agreement, the Management Fee, the Administrative Fees and the Commission are paid to Hamilton. See "Item 10. Directors and Executive Officers of the Registrant." The total Management Fee paid to Hamilton during 2008 was approximately \$1,327,000. The management services provided by Hamilton include but are not limited to: collecting rents and other income; approving, ordering and supervising all repairs and other decorations; terminating leases, evicting tenants, purchasing supplies and equipment, financing and refinancing properties, settling insurance claims, maintaining administrative offices and employing personnel. In addition, the Partnership engages the president of Hamilton as a consultant to provide asset management services to the Partnership, for which the Partnership paid \$50,000 in 2008.

In 2008, the Partnership and its Subsidiary Partnerships paid administrative fees to Hamilton of approximately \$479,000 inclusive of construction supervision and architectural fees of approximately \$65,000, repairs and maintenance service fees of approximately \$228,000, and legal fees of approximately \$186,000. The Partnership also paid Hamilton approximately \$100,000 for accounting services and approximately \$2,200 for construction costs capitalized in rental properties. The administrative fees included \$24,000 that was paid by the Partnership to Ronald Brown for construction supervision services.

Additionally, the Hamilton Company received approximately \$502,000 from the 50% owned Investment Properties of which approximately \$275,000 was the management fee, approximately \$29,000 was for construction supervision and architectural fees, and approximately \$162,000 was for maintenance services, \$22,000 for legal services, and \$12,000 for construction costs. Also, the Hamilton Company received approximately \$19,000 in legal fees from the sales of units.

Table of Contents

The Advisory Committee held six meetings during 2008, and a total of \$16,500 was paid for attendance at and participation in such meetings. Additionally, each member of the Audit Committee received \$1,000 per meeting for a total of \$12,000 in 2008.

Board of Directors Interlocks and Insider Participation

There are no interlocking relationships involving the board of directors of the General Partner and the board of directors or compensation committee of any other company, which would require disclosure under the rules of the SEC.

Compensation Committee Report

The board of directors of the general partner has reviewed the Compensation Discussion and Analysis and discussed that analysis with management of Hamilton. Based on its review and discussions with management, the board recommended that the Compensation Discussion and Analysis be included in the company's Annual Report on Form 10-K for the year ended December 31, 2008. This report is provided by the board of directors of the General Partner.

Compensation Discussion & Analysis

As discussed above, the only compensation awarded to, earned by, or paid to any person or entity performing management or policy-making functions for the Partnership are in the form of the Management Fee, the Administrative Fee, and the Commission paid to Hamilton as the management entity employed by the General Partner. The Partnership's third-party management structure is customary among publicly traded limited partnerships, particularly those partnerships in the Partnership's peer group in the residential real estate industry. The Management Fee and Commission payable to Hamilton pursuant to the Partnership Agreement increase proportionately with the income and gross sale price figures, respectively, to which such elements of compensation are tied. This compensation arrangement provides an incentive for Hamilton to maximize income and gross sale prices of the Partnership which, in turn, maximizes the Limited Partners' return on their investment.

Except as otherwise disclosed herein above, the Partnership does not pay any compensation as such term is defined in Item 402(a)(2) of Regulation S-K, and the foregoing discussion includes all of the material information that is necessary to an understanding of the Partnership's compensation policies and decisions regarding the General Partner and Hamilton.

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

As of February 27, 2009, except as listed below, the General Partner was not aware of any beneficial owner of more than 5% of the outstanding Class A Units or the Depositary Receipts, other than Computershare, which, under the Deposit Agreement, as Depositary, is the record holder of the Class A Units exchanged for Depositary Receipts. As of February 27, 2009, pursuant to the Deposit Agreement, Computershare was serving as the record holder of the Class A Units with respect to which 1,019,092 Depositary Receipts had been issued to 1,008 holders. As of February 27, 2009, there were issued and outstanding 5,308 Class A Units (not including the Depositary Receipts) held by 249 limited partners, 25,464 Class B Units and 1,340 General Partnership Units held by the persons listed below. During 2008, 332 Class A Units were exchanged for 3,320 Depositary Receipts.

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Table of Contents

The following table sets forth certain information regarding each class of Partnership Units beneficially owned as of December 31, 2008 by (i) each person known by the Company to beneficially own more than 5% of any class of Partnership Units, (ii) each director and officer of the General Partner and (iii) all directors and officers of the General Partner as a group. For purposes of this table, all Depositary Receipts are included as if they were converted back into Class A Units. The inclusion in the table below of any Units deemed beneficially owned does not constitute an admission that the named persons are direct or indirect beneficial owners of such Units. Unless otherwise indicated, each person listed below has sole voting and investment power with respect to the Units listed.

	Class A		Class B		General Partnership	
	Number of Units Beneficially Owned	% Of Outstanding Units Beneficially Owned	Number of Units Beneficially Owned	% Of Outstanding Units Beneficially Owned	Number of Units Beneficially Owned	% Of Outstanding Units Beneficially Owned
Directors and Officers						
Harold Brown c/o New England Realty Associates Limited Partnership 39 Brighton Avenue Allston, MA 02134	(1)	(1)	19,098(2)	75%(2)	(3)	100%(3)
NERA 1994 Irrevocable Trust c/o Dionne and Gass LLP 131 Dartmouth Street Boston, MA 02116	(1)	(1)	(2)	(2)	0	0
Ronald Brown c/o New England Realty Associates Limited Partnership 39 Brighton Avenue Allston, MA 02134	2,430(4)	2.27.%(4)	6,366	25%	(3)	100%(3)
Guilliaem Aertsen 175 West Brookline Street Boston, MA 02118	0	0	0	0	0	0
Conrad DiGregorio 34 Gladstone Street East Boston, MA 02128	40	0.04%	0	0	0	0
David Aloise 241 Cottage Park Road Winthrop, MA 02152	0	0	0	0	0	0
Roberta Ornstein 20 Webster Street Brookline, MA 02446	178	0.17%	0	0	0	0
NewReal, Inc. 39 Brighton Avenue Allston, MA 02134	333	0.31%	0	0	1,340	100%
All directors and officers as a group 5% Owners that are not Directors and Officers	34,879(5)	32.59%(5)	25,464(6)	100%(6)	(3)	100%(3)
Carl Valeri 50 Udine Street Arlington, MA 02476	6,154(7)	5.7%(7)	0	0	0	0

(1)

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As of February 27, 2009, 318,983 Depositary Receipts are held of record by the NERA 1994 Irrevocable Trust (the "Trust"), a grantor trust established by Harold Brown. The beneficiaries of the Trust are trusts for the benefit of children of Mr. Brown. During his lifetime, Mr. Brown is entitled to receive the income from the Trust and has the right to reacquire the Depositary Receipts held by the Trust provided that substitute assets are transferred to the Trust. Accordingly,

Table of Contents

Mr. Brown may be deemed to beneficially own the Depositary Receipts held by the Trust. Because a Depositary Receipt represents beneficial ownership of one-tenth of a Class A Unit, Harold Brown may be deemed to beneficially own approximately 31,898 Class A Units (approximately 29.8% of the outstanding Class A Units) and the Trust may be deemed to beneficially own approximately 31,898 Class A Units (approximately 29.8% of the outstanding Class A Units). Mr. Brown currently has no voting or investment power over the Depositary Receipts held by the Trust and disclaims beneficial ownership of such Depositary Receipts. Sally E. Michael and Robert Somma, as trustees of the Trust (the "Trustees"), share voting and investment power over the Depositary Receipts held by the Trust, subject to the provisions of the Trust, and thus may each be deemed to beneficially own the 318,983 Depositary Receipts held by the Trust. The Trustees have no pecuniary interest in the Depositary Receipts held by the Trust and disclaim beneficial ownership of such Depositary Receipts.

- (2) Consists of Class B Units held by the Trust. See Note (1) above. Harold Brown currently has no voting or investment power over the Class B Units held by the Trust and disclaims beneficial ownership of such Class B Units. The Trustees share voting and investment power over the Class B Units held by the Trust, subject to the provisions of the Trust, and thus may each be deemed to beneficially own the 19,098 Class B Units held by the Trust. The Trustees have no pecuniary interest in the Class B Units held by the Trust and disclaim beneficial ownership of such Class B Units.
- (3) Since Harold Brown and Ronald Brown are the controlling stockholders, executive officers and directors of NewReal, Inc., they may be deemed to beneficially own all 1,340 of the General Partnership Units held of record by NewReal, Inc.
- (4) Consists of 24,301 Depositary Receipts held of record jointly by Ronald Brown and his wife. Because a Depositary Receipt represents beneficial ownership of one-tenth of a Class A Unit, Ronald Brown may be deemed to beneficially own approximately 2,430 Class A Units.
- (5) Consists of the Class A Units described in Notes (1) and (4) above, plus those held by Mr. DiGregorio and Ms. Ornstein, as indicated in the table.
- (6) Includes the Class B Units described in Note (2) above.
- (7) Consists of 61,542 Depositary Receipts held by Carl Valeri and his immediate family members. Because a Depositary Receipt represents beneficial ownership of one-tenth of a Class A unit, Carl Valeri may be deemed to beneficially own approximately 6,154 Class A units.
- (8) See Item 10, "Compliance with Section 16(A) of the Securities Exchange Act of 1934."

On November 13, 2000, the Partnership adopted a Policy for Establishment of Rule 10b5-1 Trading Plans. Pursuant to this Policy, the Partnership authorized its officers, directors and certain employees, shareholders and affiliates who are deemed "insiders" of the Partnership to adopt individual plans for trading the Partnership's securities ("Trading Plans"), and established certain procedural requirements relating to the establishment, modification and termination of such Trading Plans. On May 14, 2001, the Partnership approved a Trading Plan of Harold Brown, providing for the purchase of up to 20,000 Depositary Receipts of the Partnership as such become available during the period from May 14, 2001 through May 13, 2002. Mr. Brown amended and restated this Trading Plan on November 19, 2001 to increase the number of Depositary Receipts which were to be purchased pursuant thereto from 20,000 to 50,000, expanding the date through which purchases could be made to September 30, 2002, and to provide that purchases under his Trading Plan were to be made only if the price per Depositary Receipt was \$45.00 or less. On November 7, 2007, Mr. Brown amended and restated the Trading Plan expanding the date through which Depositary Receipts may be purchased through September 30, 2009 for up to 50,000 Depositary Receipts at prices up to \$100 each.

The Partnership does not have any securities authorized for issuance pursuant to any equity compensation plans.

Table of Contents**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Harold Brown and Ronald Brown are brothers.

There are no other family relationships among any of our directors. Messrs. Aertsen, DiGregorio, Aloise and Ms. Ornstein representing a majority of our directors, are determined to be independent under the rules of the American Stock Exchange and the SEC. The board holds regularly scheduled meetings.

The Partnership invested approximately \$18,000,000 in nine limited liability companies formed to acquire Investment Properties. The Partnership has a 50% ownership interest in each of these limited liability companies accounted for on the equity method of consolidation. The majority stockholder of the General Partner owns between 43.2% and 47.5% and the President and five employees of the management company own between 6.8% and 2.5% in each of the Investment Properties. See Note 14 of the consolidated financial statements for a description of the Investment Properties.

On June 30, 2003, the Partnership purchased five condominium units from a group of investors who are also affiliated with the Partnership. The total purchase price for the five units was \$2,421,286 including closing costs. The condominiums were sold in 2008 resulting in a gain of approximately \$240,000. See Note 3 and 5 to the consolidated financial statements for a discussion of certain related parties associated with this acquisition and its financing.

See also "Item 2. Properties," "Item 10. Directors and Executive Officers of the Registrant" and "Item 11. Executive Compensation" for information regarding the fees paid to The Hamilton Company, an affiliate of the General Partner.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Miller Wachman LLP served as the Partnership's independent accountants for the fiscal year ended December 31, 2008 and has reported on the 2008 Consolidated Financial Statements. Aggregate fees rendered to Miller Wachman LLP for the years ended December 31, 2008 and 2007 were as follows:

	2008	2007
Audit Fees		
Recurring annual audits, audit of internal control and quarterly Reviews	\$ 235,000	\$ 260,500
Subtotal	235,000	260,500
Other Audit Related Fees		
Tax Fees		
Recurring tax compliance for the Partnership, 25 subsidiary Partnerships and 20 General Partnerships	\$ 70,000	\$ 69,000
Tax Planning and research		
Subtotal	70,000	69,000
Other Fees		
Total Fees	\$ 305,000	\$ 329,500

Table of Contents

The Audit Committee's charter provides that it has the sole authority to review in advance and grant any pre-approvals of (i) all auditing services to be provided by the independent auditor, (ii) all significant non-audit services to be provided by the independent auditors as permitted by Section 10A of the Securities Exchange Act of 1934, and (iii) all fees and the terms of engagement with respect to such services. All audit and non-audit services performed by Miller Wachman during fiscal 2008 and 2007 were pre-approved pursuant to the procedures outlined above.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)

1. Financial Statements:

The following Financial Statements are included in this Form 10-K:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2008 and 2007

Consolidated Statements of Income for the years ended December 31, 2008, 2007 and 2006

Consolidated Statements of Changes in Partners' Capital for the years ended December 31, 2008, 2007 and 2006

Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006

Notes to Consolidated Financial Statements

2.

Consolidated Financial Statement Schedules:

Valuation and Qualifying Accounts

Other financial statement schedules are omitted because they are not applicable or not required, or because the required information is included in the financial statements or notes thereto.

(b)

Exhibits:

The exhibits filed as part of this Annual Report on Form 10-K are listed in the Exhibit Index included herewith.

Table of Contents**SELECTED FINANCIAL DATA**

	Year Ended December 31,				
	2008	2007	2006	2005	2004
INCOME STATEMENT INFORMATION					
Revenues	\$ 32,297,145	\$ 30,942,626	\$ 30,704,638	\$ 30,297,773	\$ 29,457,040
Expenses	22,513,472	22,274,584	21,952,771	21,136,041	20,013,175
Income before other income and discontinued operations	9,783,673	8,668,042	8,751,867	9,161,732	9,443,865
Other (Loss)	(13,190,223)	(7,474,451)	(7,398,264)	(5,870,046)	(7,884,256)
Income (loss) before discontinued operations	(3,406,550)	1,193,591	1,353,603	3,291,686	1,559,609
Discontinued operations	9,988,261	(6,859)	49,597	6,163,993	52,808
Net Income	6,581,711	1,186,732	1,403,200	9,455,679	1,612,417
Income (loss) before discontinued operations per Unit	(24.73)	6.95	7.81	18.97	8.99
Discontinued operations per Unit	72.50	(0.04)	0.29	36.61	0.30
Net Income per Unit	47.77	6.91	8.10	54.58	9.31
Distributions to Partners per Unit	28.00	28.00	28.00	28.00	27.16
Net Income per Depositary Receipt	4.78	0.69	0.81	5.46	0.93
Distributions to Partners per Depositary Receipt	2.80	2.80	2.80	2.80	2.72
BALANCE SHEET INFORMATION					
Real Estate, gross	150,344,799	147,125,551	144,801,927	143,662,572	142,937,900
Real Estate, net	98,560,454	96,730,044	98,283,838	102,209,561	105,884,559
Total Assets	125,243,457	124,391,770	130,483,310	135,053,940	130,977,293
Total Debt Outstanding	138,160,262	113,579,904	114,659,052	115,585,241	115,611,800
Partners' Capital	(17,717,182)	2,664,859	11,642,003	15,082,019	10,469,556

The Partnership may purchase and/or sell properties at any time.

The table below reflects the totals of property available for rental at each December 31,

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Residential					
Units	2,269	2,377	2,377	2,377	2,402
Vacancies	67	46	32	23	62
Vacancy rate	3.0%	1.9%	1.3%	1.0%	2.6%
Commercial					
Total square feet	114,395	90,848	84,998	84,998	85,275
Vacancy (in square feet)	0	0	0	0	0
Vacancy rate	0%	0%	0%	0%	0%

See Items 1A and 7 for factors that may affect future operations. The above tables may not be indicative of future results.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners

New England Realty Associates Limited Partnership:

In our opinion, the accompanying consolidated balance sheets at December 31, 2008 and 2007 and the consolidated statements of income, changes in partners' capital and cash flows for each of the three years in the period ended December 31, 2008, present fairly, in all material respects, the financial position of New England Realty Associates Limited Partnership and its Subsidiaries, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index appearing under Item 15(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Partnership maintained effective internal control over financial reporting as of December 31, 2008 based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the COSO. The Partnership'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 appearing under Item 9A, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Partnership's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting 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. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A partnership'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 partnership'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 partnership; (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 partnership are

Table of Contents

being made only in accordance with authorizations of the management of the partnership; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the partnership'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.

/s/ MILLER WACHMAN LLP
Boston, Massachusetts
March 13, 2009

F-2

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2008	2007
ASSETS		
Rental Properties	\$ 98,560,454	\$ 96,730,044
Property Held for Sale		1,047,492
Cash and Cash Equivalents	10,752,931	6,890,525
Rents Receivable	553,392	505,869
Real Estate Tax Escrows	275,619	483,010
Prepaid Expenses and Other Assets	3,018,714	3,335,431
Investments in Unconsolidated Joint Ventures	11,023,611	15,011,786
Financing and Leasing Fees	1,058,736	387,613
Total Assets	\$ 125,243,457	\$ 124,391,770
LIABILITIES AND PARTNERS' CAPITAL		
Note Payable	\$	\$ 3,224,419
Mortgage Notes Payable	138,160,262	113,579,904
Accounts Payable and Accrued Expenses	1,592,610	1,746,266
Advance Rental Payments and Security Deposits	3,207,767	3,176,322
Total Liabilities	\$ 142,960,639	\$ 121,726,911
Commitments and Contingent Liabilities (Note 9)		
Partners' Capital 135,251 and 166,116 units outstanding in 2008 and 2007, respectively	(17,717,182)	2,664,859
Total Liabilities and Partners' Capital	\$ 125,243,457	\$ 124,391,770

See notes to consolidated financial statements.

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2008	2007	2006
Revenues			
Rental income	\$ 31,898,117	\$ 30,556,042	\$ 30,285,886
Laundry and sundry income	399,028	386,584	418,752
	32,297,145	30,942,626	30,704,638
Expenses			
Administrative	1,726,610	1,605,604	1,413,368
Depreciation and amortization	6,367,596	6,757,893	6,609,862
Management fees	1,316,594	1,254,289	1,242,859
Operating	4,250,345	4,038,132	3,746,298
Renting	495,822	486,464	459,524
Repairs and maintenance	4,883,987	4,731,373	5,150,479
Taxes and insurance	3,472,518	3,400,829	3,330,381
	22,513,472	22,274,584	21,952,771
Income Before Other Income and Discontinued Operations	9,783,673	8,668,042	8,751,867
Other Income (Loss)			
Interest expense	(7,704,843)	(7,340,580)	(7,387,531)
Interest income	172,133	382,154	433,921
Casualty (losses)	(7,439)	(189,633)	
Mortgage prepayment penalties	(4,487,706)		
(Loss) from investments in unconsolidated joint ventures	(1,075,675)	(326,392)	(444,654)
Other (loss)	(86,693)		
	(13,190,223)	(7,474,451)	(7,398,264)
Income From Continuing Operations	(3,406,550)	1,193,591	1,353,603
Discontinued Operations			
Income (loss) from discontinued operations	(110,866)	93,141	49,597
Gain (loss) on sale of real estate from discontinued operations	10,099,127	(100,000)	
	9,988,261	(6,859)	49,597
Net Income	\$ 6,581,711	\$ 1,186,732	\$ 1,403,200
Income per Unit			
Income (loss) before discontinued operations	\$ (24.73)	\$ 6.95	\$ 7.81
Income (loss) from discontinued operations	72.50	(.04)	0.29
Net Income per Unit	\$ 47.77	\$ 6.91	\$ 8.10
Weighted Average Number of Units Outstanding	137,772	171,822	173,252

See notes to consolidated financial statements.

F-4

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

	Units						Partner's Capital			
	Limited		General Partnership	Subtotal	Treasury Units	Total	Limited		General Partnership	Total
	Class A	Class B					Class A	Class B		
Balance, January 1, 2006	144,180	34,243	1,802	180,225	6,973	173,252	\$ 12,062,684	\$ 2,868,340	\$ 150,995	\$ 15,082,019
Distribution to Partners							(3,874,572)	(920,211)	(48,433)	(4,843,216)
Net Income							1,122,560	266,608	14,032	1,403,200
Balance, December 31, 2006	144,180	34,243	1,802	180,225	6,973	173,252	\$ 9,310,672	\$ 2,214,737	\$ 116,594	\$ 11,642,003
Distribution to Partners							(3,826,535)	(908,802)	(47,832)	(4,783,169)
Stock Buyback					7,136	7,136	(5,380,707)			(5,380,707)
Net Income							949,386	225,479	11,867	1,186,732
Balance, December 31, 2007	144,180	34,243	1,802	180,225	14,109	166,116	\$ 1,052,816	\$ 1,531,414	\$ 80,629	\$ 2,664,859
Distribution to Partners							(3,134,326)	(744,403)	(39,177)	(3,917,907)
Stock Buyback					30,865	30,865	(22,391,934)	(569,552)	(84,358)	(23,045,844)
Stock Transfer							5,034,331	(4,834,249)	(200,083)	
Net Income							5,265,369	1,250,525	65,817	6,581,711
Balance, December 31, 2008	144,180	34,243	1,802	180,225	44,974	135,251	\$(14,173,745)	\$(3,366,265)	\$ (177,172)	\$(17,717,181)

See notes to consolidated financial statements.

[Table of Contents](#)

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2008	2007	2006
Cash Flows from Operating Activities			
Net income	\$ 6,581,711	\$ 1,186,732	\$ 1,403,200
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	6,465,057	6,984,033	6,820,360
(Income) Loss from investments in joint ventures	1,075,675	326,392	444,654
(Gain) on sale of real estate from discontinued operations	(10,064,717)		
Changes in operating assets and liabilities			
(Increase) Decrease in rents receivable	(47,523)	74,769	(100,520)
Increase (Decrease) in accounts payable and accrued expense	(153,656)	456,624	(153,818)
(Increase) Decrease in real estate tax escrow	207,391	343,291	(67,481)
Decrease (Increase) in prepaid expenses and other assets	316,717	(993,778)	307,941
(Decrease) Increase in advance rental payments and security deposits	31,445	283,710	(50,607)
Total Adjustments	(2,169,611)	7,455,893	7,186,754
Net cash provided by operating activities	4,412,100	8,642,625	8,589,954
Cash Flows Used in Investing Activities			
(Investment in) unconsolidated joint ventures		(45,000)	(2,350,000)
Proceeds from unconsolidated joint ventures	2,912,500	2,900,000	50,000
Purchase and improvement of rental properties	(10,127,289)	(6,361,745)	(2,796,691)
Net proceeds from the sale of rental property	7,398,205		
Net cash (used in) investing activities	183,416	(3,506,745)	(5,096,691)
Cash Flows Used in Financing Activities			
Proceeds (payment) of notes payable	(3,224,419)	3,224,419	
Payment of financing costs	(896,962)		
Proceeds of mortgage notes payable	31,048,556		
Principal payments of mortgage notes payable	(696,533)	(1,079,148)	(926,189)
Stock buyback	(23,045,844)	(5,380,707)	
Distributions to partners	(3,917,908)	(4,783,169)	(4,843,216)
Net cash provided by (used in) financing activities	(733,110)	(8,018,605)	(5,769,405)
Net Increase (Decrease in) Cash and Cash Equivalents	3,862,406	(2,882,725)	(2,276,142)
Cash and Cash Equivalents, at beginning of year	6,890,525	9,773,250	12,049,392
Cash and Cash Equivalents, at end of year	\$ 10,752,931	\$ 6,890,525	\$ 9,773,250

See notes to consolidated financial statements.

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Line of Business: New England Realty Associates Limited Partnership ("NERA" or the "Partnership") was organized in Massachusetts in 1977. NERA and its subsidiaries own and operate various residential apartment buildings, condominium units and commercial properties located in Massachusetts and New Hampshire. NERA has also made investments in other real estate partnerships and has participated in other real estate-related activities, primarily located in Massachusetts.

Principles of Consolidation: The consolidated financial statements include the accounts of NERA and its subsidiaries. NERA has a 99.67% to 100% ownership interest in each subsidiary except for the nine limited liability companies (the "Investment Properties" or "Joint Ventures") in which the Partnership has a 50% ownership interest. The consolidated group is referred to as the "Partnerships." Minority interests are not recorded, since they are insignificant. All significant intercompany accounts and transactions are eliminated in consolidation. The Partnership accounts for its investment in the above-mentioned Investment Properties using the equity method of consolidation. (See Note 14: Investments in Unconsolidated Joint Ventures).

The Partnership accounts for its investments in joint ventures for which Financial Accounting Standards ("FASB") Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities ("FIN 46") does not apply under the equity method of accounting as the company exercises significant influence, but does not control these entities. These investments are recorded initially at cost, as Investments in Unconsolidated Joint Ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions.

Impairment: On an annual basis management assesses whether there are any indicators that the value of the Company's rental properties may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. The Company's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved. The Partnership has not recognized an impairment loss since 1995.

Accounting Estimates: The preparation of the financial statements, in conformity with accounting principles generally accepted in the United State of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Revenue Recognition: Rental income from residential and commercial properties is recognized over the term of the related lease. For residential tenants, amounts 60 days in arrears are charged against income. The commercial tenants are evaluated on a case by case basis. Certain leases of the commercial properties provide for increasing stepped minimum rents, which are accounted for on a straight-line basis over the term of the lease.

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rental Properties: Rental properties are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred; improvements and additions are capitalized. When assets are retired or otherwise disposed of, the cost of the asset and related accumulated depreciation is eliminated from the accounts, and any gain or loss on such disposition is included in income. Fully depreciated assets are removed from the accounts. Rental properties are depreciated by both straight-line and accelerated methods over their estimated useful lives. Significant acquisitions with long term leases are evaluated to determine if a portion of the purchase price is allocable to intangibles such as non market rate rents.

In the event that facts and circumstances indicate that the carrying value of a rental property may be impaired, an analysis of the value is prepared. The estimated future undiscounted cash flows are compared to the asset's carrying value to determine if a write-down to fair value is required.

Financing and Leasing Fees: Financing fees are capitalized and amortized, using the interest method, over the life of the related mortgages. Leasing fees are capitalized and amortized on a straight-line basis over the life of the related lease. Unamortized balances are expensed when the corresponding fee is no longer applicable.

Income Taxes: The financial statements have been prepared on the basis that NERA and its subsidiaries are entitled to tax treatment as partnerships. Accordingly, no provision for income taxes has been recorded.

Cash Equivalents: The Partnership considers cash equivalents to be all highly liquid instruments purchased with a maturity of three months or less.

Segment Reporting: Operating segments are revenue-producing components of the Partnership for which separate financial information is produced internally for management. Under the definition, NERA operated, for all periods presented, as one segment.

Comprehensive Income: Comprehensive income is defined as changes in partners' equity, exclusive of transactions with owners (such as capital contributions and dividends). NERA did not have any comprehensive income items in 2008, 2007 or 2006 other than net income as reported.

Income Per Unit: Net income per unit has been calculated based upon the weighted average number of units outstanding during each period presented. The Partnership has no dilutive units and, therefore, basic net income is the same as diluted net income per unit (see Note 7).

Concentration of Credit Risks and Financial Instruments: The Partnership's properties are located in New England, and the Partnership is subject to the general economic risks related thereto. No single tenant accounted for more than 5% of the Partnership's revenues in 2008 or 2007. The Partnership makes its temporary cash investments with high-credit-quality financial institutions. At December 31, 2008, substantially all of the Partnership's cash and cash equivalents were held in interest-bearing accounts at financial institutions, earning interest at rates from 0.1% to 2.9%. At December 31, 2008 and December 31, 2007, respectively approximately \$10,300,000 and \$7,500,000 of cash and cash equivalents, and cash included in prepaid expenses and other assets exceeded federally insured amounts.

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expense: Advertising is expensed as incurred. Advertising expense was \$102,608, \$119,494, and \$149,799 in 2008, 2007, and 2006, respectively.

Discontinued Operations and Rental Property Held for Sale: When assets are identified by management as held for sale, the Partnership discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established. Properties identified as held for sale and/or sold are presented in discontinued operations for all periods presented.

If circumstances arise that previously were considered unlikely and, as a result, the Partnership decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Interest Capitalized: The Company follows the policy of capitalizing interest as a component of the cost of rental property when the time of construction exceeds one year. During the year ended December 31, 2008 and the year ended December 31, 2007, there was no capitalized interest.

Extinguishment of Debt: When existing mortgages are refinanced with the same lender, EITF 96-19 "Debtors Accounting for a Modification or Exchange of Debt Instruments" requires they be analyzed. If it is determined that the refinancing is substantially different then they will be recorded as an extinguishment of debt. However if it is determined that the refinancing is substantially the same then they will be recorded as an exchange of debt. All refinancings qualify as extinguishment of debt.

Reclassifications: Certain reclassifications have been made to prior period amounts in order to conform to current period presentation.

NOTE 2. RENTAL PROPERTIES

As of December 31, 2008, the Partnership and its Subsidiary Partnerships owned 2,269 residential apartment units in 19 residential and mixed-use complexes (collectively, the "Apartment Complexes"). The Partnership also owns 19 condominium units in a residential condominium complex, all of which are leased to residential tenants (collectively referred to as the "Condominium Units"). The Apartment Complexes and Condominium Units are located primarily in the metropolitan Boston area of Massachusetts.

Additionally, as of December 31, 2008, the Partnership and Subsidiary Partnerships owned a commercial shopping center in Framingham, a commercial building in Newton and mixed-use properties in Boston, Brockton and Newton, all in Massachusetts. These properties are referred to collectively as the "Commercial Properties."

The Partnership also owned a 50% ownership interest in nine residential and mixed use complexes (the "Investment Properties") at December 31, 2008 with a total of 392 units, accounted for using the equity method of consolidation. See Note 14 for summary information on these investments.

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 2. RENTAL PROPERTIES (Continued)

Rental properties excluding the held for sale properties in 2008 consist of the following:

	Year Ended December 31,		Useful Life
	2008	2007	
Land, improvements and parking lots	\$ 25,997,753	\$ 23,829,256	15 40 years
Buildings and improvements	110,467,865	107,200,909	15 40 years
Kitchen cabinets	4,254,120	4,164,828	5 10 years
Carpets	3,650,238	3,441,808	5 10 years
Air conditioning	900,610	864,564	7 10 years
Laundry equipment	216,629	191,527	5 7 years
Elevators	984,506	896,394	20 years
Swimming pools	126,275	126,275	10 years
Equipment	1,690,142	1,668,493	5 7 years
Motor vehicles	139,453	105,800	5 years
Fences	163,907	226,171	5 10 years
Furniture and fixtures	1,641,487	4,310,312	5 7 years
Smoke alarms	111,814	99,214	5 7 years
	150,344,799	147,125,551	
Less accumulated depreciation	(51,784,345)	(50,395,507)	
	\$ 98,560,454	\$ 96,730,044	

Real estate and accumulated depreciation as of December 31, 2008 is:

	Encumbrances (First Mortgages)	Initial Cost to Partnerships(1)		Cost Capitalized Subsequent to Acquisition(2)	Gross Amount at Which Carried at Close of Period			Accumulated Depreciation(3)	Date Acquired
		Land	Improvements	Buildings Improvements	Land	Buildings Improvements	Totals		
Avon Street Apartments L.P. Residential Apartments Malden, Massachusetts	2,550,000	62,700	837,318	698,129	62,700	1,535,447	1,598,147	1,094,872	Sept. 1977
Boylston Downtown L.P. Residential Apartments Boston, Massachusetts	19,500,000	2,112,000	8,593,111	6,811,798	2,112,000	15,404,909	17,516,909	7,250,622	July 1995
Brookside Associates LLC Residential Apartments Woburn, Massachusetts	1,929,076 2,000,000	684,000 44,965	3,116,000 4,478,687	463,530 679,560	684,000 44,965	3,579,530 5,158,247	4,263,530 5,203,212	1,240,018 1,135,489	Oct. 2000

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Courtyard @ Westgate Residential Units Burlington, Massachusetts Clovelly Apartments L.P.									Sept. 2004
Apartments Nashua, New Hampshire	4,160,000	177,610	1,478,359	961,509	177,610	2,439,868	2,617,478	1,853,533	Sept. 1977
Commonwealth 1137 L.P. Residential Apartments Boston, Massachusetts	3,750,000	342,000	1,367,669	614,818	342,000	1,982,487	2,324,487	935,904	July 1995
Commonwealth 1144 L.P. Residential Apartments Boston, Massachusetts	14,780,000	1,410,000	5,664,816	1,411,482	1,410,000	7,076,298	8,486,298	3,385,619	July 1995

F-10

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 2. RENTAL PROPERTIES (Continued)

	Encumbrances (First Mortgages)	Initial Cost to Partnerships(1)		Cost Capitalized Subsequent to Acquisition(2)	Gross Amount at Which Carried at Close of Period			Accumulated Depreciation(3)	Date Acquired
		Land	Improvements	Buildings Improvements	Land	Buildings Improvements	Totals		
Condominium Units Riverside Residential Units Massachusetts		23,346	190,807	49,694	23,346	240,501	263,847	228,827	Sept. 1977
Executive Apartments L.P. Residential Apartments Framingham, Massachusetts	2,415,000	91,400	740,360	1,003,379	91,400	1,743,739	1,835,139	1,167,135	Sept. 1977
Hamilton Cypress LLC Commercial 1031 Exchange Brookline, Massachusetts	3,994,283	2,362,596	4,613,985	797	2,362,596	4,614,782	6,977,378	40,891	Oct. 2008
Hamilton Linewt LLC Commercial 1031 Exchange Newton, Massachusetts	1,671,667	884,042	2,652,127	11,354	884,042	2,663,481	3,547,523	79,368	Nov. 2007
Hamilton Oaks Associates LLC Residential Apartments Brockton, Massachusetts	11,925,000	2,175,000	12,325,000	1,720,242	2,175,000	14,045,242	16,220,242	5,671,293	Dec. 1999
Highland Street Apartments, L.P. Residential Apartments Lowell, Massachusetts	1,050,000	156,000	634,085	308,955	156,000	943,040	1,099,040	471,439	Dec. 1996
Linhart L.P. Residential/Commercial Newton, Massachusetts	1,700,000	385,000	1,540,000	1,131,444	385,000	2,671,444	3,056,444	1,468,823	Jan. 1995
Nashoba Apartments L.P. Residential Apartments Acton, Massachusetts	2,000,000	79,650	284,548	742,285	79,650	1,026,833	1,106,483	741,000	Sept. 1977
NERA Dean St. Associates LLC Residential Apartments Norwood, Massachusetts	5,567,338	1,512,000	5,701,480	292,570	1,512,000	5,994,050	7,506,050	1,648,014	Jun. 2002
North Beacon 140 L.P. Residential Units Boston, Massachusetts	6,937,000	936,000	3,762,013	1,321,313	936,000	5,083,326	6,019,326	2,450,818	July 1995
Olde English Apartments L.P. Residential Apartments Lowell, Massachusetts	3,080,000	46,181	878,323	704,688	46,181	1,583,011	1,629,192	1,260,866	Sept. 1977
River Drive L.P. Residential Apartments Danvers, Massachusetts	3,465,000	72,525	587,777	1,231,344	72,525	1,819,121	1,891,646	1,416,292	Sept. 1977
Redwood Hills L.P. Residential Units Worcester, Massachusetts	6,743,000	1,200,000	4,810,604	2,109,203	1,200,000	6,919,807	8,119,807	3,268,603	July 1995
School St Assoc LLC Residential Apartments Framingham, Massachusetts	16,400,498	4,686,728	18,746,911	(1,466,354)	4,686,728	17,280,557	21,967,285	3,984,923	Apr. 2003
Staples Plaza Strip Mall Framingham, Massachusetts	6,000,000	3,280,000	4,920,000	31,453	3,280,000	4,951,453	8,231,453	1,587,602	May 1999

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 2. RENTAL PROPERTIES (Continued)

	Encumbrances (First Mortgages)	Initial Cost to Partnerships(1)		Cost Capitalized Subsequent to Acquisition(2)	Gross Amount at Which Carried at Close of Period			Accumulated Depreciation(3)	Date Acquired
		Land	Improvements	Buildings Improvements	Land	Buildings Improvements	Totals		
WCB Associates LLC Residential Apartments Brockton, Massachusetts	7,000,000	1,335,000	7,565,501	1,421,318	1,335,000	8,986,819	10,321,819	3,851,589	Dec. 1999
Westgate Apartments LLC Residential Apartments Woburn, Massachusetts	9,542,399	461,300	2,424,636	5,700,320	417,107	8,124,956	8,542,063	5,550,805	Sept. 1977
	138,160,262	24,520,043	97,914,116	27,954,831	24,475,851	125,868,947	150,344,798	51,784,345	

(1) The initial cost to the Partnership represents both the balance of mortgages assumed in September 1977, including subsequent adjustments to such amounts, and subsequent acquisitions at cost.

(2) Net of retirements.

(3) In 2008, rental properties were depreciated over the following estimated useful lives:

Assets	Life
Buildings and Improvements	15 40 years
Other Categories of Assets	5 20 years

(4) The tax basis of the above properties is approximately \$93,000,000 at December 31, 2008.

A reconciliation of rental properties and accumulated depreciation is as follows:

	December 31,		
	2008	2007	2006
Rental Properties			
Balance, Beginning	\$ 148,294,233	\$ 144,801,927	\$ 143,662,572
Additions:			
Buildings, improvements and other assets	10,074,551	6,361,745	2,796,692
	158,368,784	151,163,672	146,459,264

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Deduct:

Write-off of retired or disposed assets	4,429,287	1,129,367	1,657,337
Rental properties held for sale and/or sold	3,594,698	2,908,754	
Balance, Ending	\$ 150,344,799	\$ 147,125,551	\$ 144,801,927

Accumulated Depreciation

Balance, Beginning	\$ 51,118,331	\$ 46,518,089	\$ 41,453,011
Add:			
Depreciation for the year	6,230,720	6,868,047	6,722,415
	57,349,051	53,386,136	48,175,426

Deduct:

Accumulated depreciation of retired or disposed assets	4,429,235	1,129,367	1,657,337
Accumulated depreciation of rental properties held for sale and/or sold	1,135,470	1,861,262	
Balance, Ending	\$ 51,184,346	\$ 50,395,507	\$ 46,518,089

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 2. RENTAL PROPERTIES (Continued)

On January 3, 2008, the Partnership sold the Oak Ridge Apartments, a 61-unit residential apartment complex located in Foxboro, Massachusetts. The sale price was \$7,150,000, which resulted in a gain of approximately \$6,000,000. In November 2007, the Partnership purchased a fully occupied commercial building located in Newton, Massachusetts, known as Linewt LLC. The purchase price was \$3,475,000 and the building consists of 5,850 square feet of commercial space. The Partnership utilized Section 1031 of the IRS code to affect a tax free exchange on the gain of Oak Ridge up to the purchase price of the Newton property. Most of the taxable gain of approximately \$3,000,000 will be taxed at the capital gain rates. In accordance with Section 1031, the Newton property was owned by a Qualified Intermediary for the period from the purchase date of the Newton property and the sale date of the Foxboro property. The Qualified Intermediary borrowed \$3,225,112 from Harold Brown, Treasurer of the General Partner, to purchase the Newton property. This loan was paid in full, with interest at 6% of \$34,401, from the proceeds of the Oak Ridge sale on January 3, 2008. On January 22, 2008, the Partnership financed the Newton property with a first mortgage of \$1,700,000 at 5.75% interest only until maturity in January 2018.

In April 2008, the Partnership sold the Coach Apartments, a 48 unit residential apartment complex located in Acton, Massachusetts. The sale price was \$4,600,000, which resulted in a gain of approximately \$3,800,000. In October 2008, the Partnership purchased a fully occupied medical office building located in Brookline, Massachusetts, referred to as "the Barn." The purchase price of the Barn was \$7,000,000 and it consists 20,000 square feet of commercial space. The Partnership utilized Section 1031 of the IRS code to affect a tax free exchange on the gain of Coach up to the purchase price of the Barn. This acquisition was funded from the assumption of the existing mortgage of approximately \$4,000,000, the cash from the sale of Coach of approximately \$2,600,000, and the balance of \$400,000 was funded from cash reserves.

As more fully described in Note 3, the Partnership sold the five condominiums located in Brookline, Massachusetts. The net proceeds from the sale of the five units were approximately \$740,000 which resulted in a gain of approximately \$240,000, which is included in gain from the sale of rental properties.

NOTE 3. RELATED PARTY TRANSACTIONS

The Partnership's properties are managed by an entity that is owned by the majority shareholder of the General Partner. The management fee is equal to 4% of rental revenue and laundry income. Total fees paid were approximately \$1,327,000, \$1,310,000, and \$1,297,000 in 2008, 2007, and 2006, respectively.

The Partnership Agreement permits the General Partner or management company to charge the costs of professional services (such as counsel, accountants and contractors) to NERA. In 2008, 2007, and 2006 approximately \$582,000, \$1,278,000 and \$472,000 respectively, was charged to NERA for legal, accounting, construction, maintenance, rental and architectural services and supervision of capital improvements. Of the 2008 expenses referred to above, approximately \$228,000 consisted of repairs and maintenance and \$286,000 of administrative expense. Approximately \$68,000 of expenses for construction, architectural services and supervision of capital projects were capitalized in rental properties. Additionally in 2008, the Hamilton Company received approximately \$502,000 from the Investment Properties of which approximately \$275,000 was the management fee, \$40,000 was for

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 3. RELATED PARTY TRANSACTIONS (Continued)

construction supervision and architectural fees, \$165,000 was for maintenance services and \$22,000 was for administrative services. The Hamilton Company legal department acts as closing attorney on certain condo sales receiving approximately \$18,000 during the year ended December 31, 2008. As more fully described in Note 14, an entity partially owned by the majority shareholder of the General Partner is the sales agent for certain condominium sales receiving approximately \$43,000 of commissions in 2008.

On January 1, 2004, all employees were transferred to the management company's payroll. The Partnership reimburses the management company for the payroll and related expenses of the employees who work at the properties. Total reimbursement was approximately \$2,270,000 and \$2,164,000 for the years ended December 31, 2008 and 2007, respectively. The Management Company maintains a 401K plan for all eligible employees whereby the employees may contribute the maximum allowed by law. The plan also provides for discretionary contributions by the employer. There were no employer contributions in 2008, 2007, and 2006.

In 1996, prior to becoming an employee and President of the Management Company, the current President of the Management Company performed asset management consulting services to the Partnership. This individual continues to perform this service and receives an asset management fee from the Partnership, receiving \$50,000 during the years ended December 31, 2008 and 2007.

The Partnership has invested in nine limited partnerships, which have invested in mixed use residential apartment complexes. The Partnership has a 50% ownership interest in each investment. The other investors are Harold Brown, the President of the Management Company and five other employees of the Management Company. Harold Brown's ownership interest is between 43.2% and 47.5%, with the balance of 6.8% and 2.5% owned by others. See Note 14 for a description of the properties and their operations.

On June 30, 2003, the Partnership purchased five condominium units in a 42-unit building located in Brookline, Massachusetts. These were purchased from Harvard 45 Associates LLC ("Harvard 45") which is owned 70% by the 75% shareholder and treasurer of the General Partner, and 5% by the President of Hamilton. The total purchase price for these condominiums was approximately \$2,416,000 and was approved both by the Partnership's Advisory Committee and the General Partner. Harvard 45 realized a gain of approximately \$648,000 from these sales. Harvard 45 also sold 16 units to unrelated parties; the prices for all 21 units sold were comparable. The Partnership sold all of the units in 2008 and realized a gain of approximately \$240,000. The above mentioned gains are recorded as gain on the sale of real estate from discontinued operations. . In addition, the Partnership paid The Hamilton Company or its affiliate approximately \$16,000 in legal fees and approximately \$62,000 in commissions in connection with the sale of these condominiums in 2008.

The above 42-unit condominium building is managed by an entity wholly owned by the 25% shareholder and President of the General Partner. That entity received annual management fees from the five units of approximately \$1,500, and Hamilton reduced its management fees to approximately 2%, so that the total management fee will not exceed the 4% allowed by the Partnership's Partnership Agreement.

In March 2005, the Partnership sold the Middlesex Apartments to an entity wholly owned by the majority shareholder of the General Partner. The selling price was \$6,500,000 which resulted in a capital gain for the Partnership of approximately \$5,800,000 and an increase in the Partnership's cash

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 3. RELATED PARTY TRANSACTIONS (Continued)

reserves of approximately \$4,800,000 after paying off the existing \$1,300,000 mortgage, prepayment penalties and other selling expenses. The buyer is selling the property as condominium units. An entity 31% owned by the majority shareholder of the General Partner and 5% owned by the President of the management company is the sales agent and will receive a variable commission of 3% to 5% on each sale. Total commissions paid to date are approximately \$138,000. Although the buyer assumed the costs and economic risks of converting and selling the condominium units, if the net gain from the sale of these units exceeds \$500,000, the excess will be split equally between the buyer and Partnership. The Partnership previously estimated its share of the excess gain to be approximately \$90,000. The last remaining unit was sold in October 2008, which resulted in a reduction in the estimated gain to approximately \$50,000.

On September 17, 2008, the Partnership completed the issuance of an aggregate of 6,642 Class A Units held in treasury to current holders of Class B and General Partner Units upon the simultaneous retirement to treasury of 6,309 Class B Units and 333 General Partner Units pursuant to an equity distribution plan authorized by the Board of Directors of the General Partner on August 8, 2008 and as further described under Item 3.02 of the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 18, 2008, which is incorporated herein by reference. Harold Brown, the treasurer of the General Partner, owns 75% of the issued and outstanding Class B Units of the Partnership and 75% of the issued and outstanding equity of the General Partner, Ronald Brown, the brother of Harold Brown and the president of the General Partner, owns 25% of the issued and outstanding Class B Units of the Partnership and 25% of the issued and outstanding equity of the General Partner.

In 2008, the Partnership borrowed a total of approximately \$8,510,000 from Harold Brown. Approximately \$5,285,000 was used to purchase depositary receipts and approximately \$3,225,000 was used to facilitate the purchase of Linewt. These loans were repaid in 2008 with interest of approximately \$72,300.

In 2008, the Partnership purchased from Harold Brown and Ronald Brown a total of 1,008 Class B Units and from New Real Inc., the general partner, 53 General Partnership units for a total cost of \$653,910. During January and February 2009, the Partnership purchased an additional 9,840 receipts for approximately \$537,000 averaging \$54.62 per receipt. This will also require the purchase of class B and General Partnership unit at a cost of approximately \$133,000.

NOTE 4. OTHER ASSETS

Included in prepaid expenses and other assets at December 31, 2008 and December 31, 2007 is a provision for insurance recovery from casualty losses of approximately \$29,000 and \$600,000, respectively. In addition, approximately \$1,382,000 and \$1,325,000 of security deposits and prepaid rent deposits are included in prepaid expenses and other assets at December 31, 2008 and December 31, 2007, respectively.

Included in prepaid expenses and other assets at December 31, 2008 and 2007 is approximately \$984,000 and \$394,000, respectively, held in escrow to fund future capital improvements.

Table of Contents**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****DECEMBER 31, 2008****NOTE 4. OTHER ASSETS (Continued)**

Financing and leasing fees of approximately \$1,059,000 and \$388,000 are net of accumulated amortization of approximately \$363,000 and \$610,000 at December 31, 2008 and December 31, 2007, respectively.

NOTE 5. MORTGAGE NOTES PAYABLE

At December 31, 2008 and December 31, 2007, the mortgages payable consisted of various loans, all of which were secured by first mortgages on properties referred to in Note 2. At December 31, 2008, the fixed interest rates on these loans ranged from 4.84% to 8.46%, payable in monthly installments aggregating approximately \$727,000, including principal, to various dates through 2023. The majority of the mortgages are subject to prepayment penalties. At December 31, 2008, the weighted average interest rate on the above mortgages was 5.64%. The effective rate of 5.72% includes the amortization expense of deferred financing costs. See Note 12 for fair value information.

The Partnerships have pledged tenant leases as additional collateral for certain of these loans.

Approximate annual maturities at December 31, 2008 are as follows:

2009 current maturities	\$ 823,000
2010	2,573,000
2011	2,789,000
2012	959,000
2013	43,667,000
Thereafter	87,349,000
	\$138,160,000

In January 2008, the Partnership obtained a \$1,700,000 mortgage on an unencumbered commercial property in Newton, Massachusetts known as Linewt LLC. The mortgage which matures in January 2018 requires interest only payments at 5.75% for the term of the mortgage.

In February 2008, the Partnership refinanced ten properties with outstanding 8.44% mortgages of approximately \$37,800,000 with new mortgages totaling \$58,000,000. The new mortgages which mature in February 2023 require interest only payments at interest rates from 5.6% to 5.7%. Deferred costs associated with these mortgages totaled approximately \$710,000 and, accordingly, the effective interest rates are 5.7% to 5.8%. Prepayment penalties of approximately \$3,700,000 were incurred in these transactions. After payment of existing mortgages, prepayment penalties and other costs of the transactions, approximately \$16,000,000 was received by the Partnership.

In April 2008, the Partnership refinanced the property located at 659 Worcester Road with a mortgage balance of approximately \$3,500,000 at 7.84% with a new \$6,000,000 mortgage at 5.97% interest only mortgage which matures in March 2018. Deferred financing costs associated with this mortgage totaled approximately \$86,000 and accordingly the effective interest rate is 6.1%. Prepayment penalties of approximately \$783,000 were incurred in this transaction. After payment of the existing mortgage and prepayment penalties, approximately \$1,700,000 was received by the Partnership.

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 5. MORTGAGE NOTES PAYABLE (Continued)

In June, the Partnership refinanced the Westside Colonial Apartments with a balance of approximately \$4,600,000 maturing in 2008 with interest at a rate of 6.52% with \$7,000,000 at 5.66% interest only mortgage maturing in June 2023. Deferred financing costs associated with this mortgage totaled approximately \$62,000 and accordingly the effective interest rate is 5.8%. Closing costs were approximately \$100,000. There were no prepayment penalties. After payment of the existing mortgage and closing costs, approximately \$2,377,000 was received by the Partnership.

PROFORMA INFORMATION IS AS FOLLOWS

	(Unaudited)			(Unaudited)		
	Year Ended December 31, 2008			Year Ended December 31, 2007		
	Historic	Adjustment	Proforma	Historic	Adjustment	Proforma
Revenues						
Rental income	\$ 31,898,117	0	\$ 31,898,117	\$ 30,556,042	0	\$ 30,556,042
Laundry and sundry income	399,028	0	399,028	386,584	0	386,584
	32,297,145	0	32,297,145	30,942,626	0	30,942,626
Expenses						
Administrative	1,726,610	0	1,726,610	1,605,604	0	1,605,604
Depreciation and amortization	6,367,596	0	6,367,596	6,757,893	0	6,757,893
Management fees	1,316,594	0	1,316,594	1,254,289	0	1,252,289
Operating	4,250,345	0	4,250,345	4,038,132	0	4,038,132
Renting	495,822	0	495,822	486,464	0	486,464
Repairs and maintenance	4,883,987	0	4,883,987	4,731,373	0	4,731,373
Taxes and insurance	3,472,518	0	3,472,518	3,400,829	0	3,400,829
	22,513,472	0	22,513,472	22,274,584	0	22,274,584
Income Before Other Income and Discontinued Operations	9,783,673	0	9,783,673	8,668,042	0	8,668,042
Other Income		0				
Interest Expense	(7,704,843)	(110,378)	(7,815,221)	(7,340,580)	(402,721)	(7,743,301)
Interest Income	172,133	0	172,133	382,154	0	382,154
Casualty (loss)	(7,439)	0	(7,439)	(189,633)	0	(189,633)
Mortgage prepayment penalties	(4,487,706)	4,487,706	0	0	0	0
(Loss) from investment in unconsolidated joint ventures	(1,075,675)	0	(1,075,675)	(326,392)	0	(326,392)
Other (expenses)	(86,693)	0	(86,693)	0	0	0
	(13,190,223)	4,377,328	(8,812,895)	(7,474,451)	(402,721)	(7,877,172)
(Loss) Income from continuing operations	\$ (3,406,550)	\$ 4,377,328	\$ 970,778	\$ 1,193,591	\$ (402,721)	\$ 790,870

The above proforma information shows the effect of the Partnership's refinancing of approximately \$46 million with interest at 6.52% to 8.44% with new mortgages of approximately \$71 million with interest of 5.59% to 5.97% as described above. The new mortgages are included in the December 31, 2008 balance sheet and the cash flows are included in the statement of cash flows for the year then ended. Net cash flows necessary to service these new interest only mortgages is approximately \$106,000 less per year than the required payments on the old mortgages

which included principal payments of approximately \$500,000 per year.

Table of Contents**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****DECEMBER 31, 2008****NOTE 6. ADVANCE RENTAL PAYMENTS AND SECURITY DEPOSITS**

The Partnership's residential lease agreements may require tenants to maintain a one-month advance rental payment and/or a security deposit. At December 31, 2008, amounts received for prepaid rents of approximately \$1,600,000 are included in cash and cash equivalents, and security deposits of approximately \$1,382,000 are included in other assets.

NOTE 7. PARTNERS' CAPITAL

The Partnership has two classes of Limited Partners (Class A and B) and one category of General Partner. Under the terms of the Partnership Agreement, distributions to holders of Class B Units and General Partnership Units must represent 19% and 1%, respectively, of the total units outstanding. All classes have equal profit sharing and distribution rights, in proportion to their ownership interests.

In 2008, 2007, and 2006 the Partnership paid quarterly distributions of \$7.00 per unit (\$.70 per receipt) in March, June, September, and December for a total distribution of \$28.00 per unit (\$2.80 per receipt) each year.

The Partnership has entered into a deposit agreement with an agent to facilitate public trading of limited partners' interests in Class A Units. Under the terms of this agreement, the holders of Class A Units have the right to exchange each Class A Unit for 10 Depositary Receipts. The following is information per Depositary Receipt:

	Year Ended December 31,	
	2008	2007
Income (loss) per Depositary Receipt before Discontinued Operations	\$(2.47)	\$0.70
Income from Discontinued Operations	7.25	0.00
Net Income per Depositary Receipt after Discontinued Operations	\$ 4.78	\$0.70
Distributions per Depositary Receipt	\$ 2.80	\$2.80

NOTE 8. TREASURY UNITS

Treasury Units at December 31, 2008 are as follows:

Class A	35,979
Class B	8,545
General Partnership	450
	44,974

On August 20, 2007, NewReal, Inc., the General Partner authorized an equity repurchase program ("Repurchase Program") under which the Partnership was permitted to purchase, over a period of twelve months, up to 100,000 Depositary Receipts (each of which is one-tenth of a Class A Unit). On January 15, 2008, the General Partner authorized an increase in the Repurchase Program from 100,000 to 200,000 Depositary Receipts. On January 30, 2008 the General Partner authorized an increase the Repurchase Program from 200,000 to 300,000 Depositary Receipts. On March 6, 2008, the General Partner authorized the increase in the total number of Depositary Receipts that could be repurchased

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 8. TREASURY UNITS (Continued)

pursuant to the Repurchase Program from 300,000 to 500,000. On August 8, 2008, the General Partner re-authorized and renewed the Repurchase Program for an additional 12-month period ending August 19, 2009. In addition, the General Partner also authorized the expansion of the Repurchase Program to require the Partnership to repurchase a proportionate number of Class B Units and General Partner Units in connection with any repurchases of any Depositary Receipts by the Partnership based upon the 80%, 19% and 1% fixed distribution percentages of the holders of the Class A, Class B and General Partner Units under the Partnership's Second Amended and Restate Contract of Limited Partnership. Repurchases of Depositary Receipts or Partnership Units pursuant to the Repurchase Program may be made by the Partnership from time to time in its sole discretion in open market transactions or in privately negotiated transactions. As of December 2008, the Partnership has repurchased 368,184 Depositary Receipts at an average price of \$75.18 per receipt (or \$751.80 per underlying Class A Unit), 1,008 Class B Units at an average price of \$616.32 per Unit, and 53 General Partner Units at an average price of \$616.32 per Unit, totaling approximately \$28,426,000 including brokerage fees paid by the Partnership.

On September 17, 2008, the Partnership completed the issuance of an aggregate of 6,642 Class A Units held in treasury to current holders of Class B and General Partner Units upon the simultaneous retirement to treasury of 6,309 Class B Units and 333 General Partner Units pursuant to an equity distribution plan authorized by the Board of Directors of the General Partner on August 8, 2008 and as further described under Item 3.02 of the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 18, 2008, which is incorporated herein by reference. Harold Brown, the treasurer of the General Partner, owns 75% of the issued and outstanding Class B Units of the Partnership and 75% of the issued and outstanding equity of the General Partner, Ronald Brown, the brother of Harold Brown and the president of the General Partner, owns 25% of the issued and outstanding Class B Units of the Partnership and 25% of the issued and outstanding equity of the General Partner.

During January and February 2009, the Partnership purchased an additional 9,840 receipts for approximately \$537,000 averaging \$54.62 per receipt. This will also require the purchase of class B and General Partnership unit at a cost of approximately \$133,000.

On January 18, 2008, 113,518 Depositary Receipts included above became available to purchase at a price of \$75.50 per receipt. In order for the Partnership to take advantage of this opportunity, the Partnership borrowed \$5,285,000 from Harold Brown, the Treasurer of the General Partner. This loan was paid in full, with interest at 6% of \$37,899, on February 29, 2008.

As of December 31, 2008, the repurchase of approximately \$28,334,000 of Depositary Receipts described above, resulted in the Partnership having a negative Partners' Capital of approximately \$17,700,000.

NOTE 9. COMMITMENTS AND CONTINGENCIES

From time to time, the Partnerships are involved in various ordinary routine litigation incidental to their business. The Partnership either has insurance coverage or has provided for any uninsured claims which, in the aggregate, are not significant. The Partnerships are not involved in any material pending legal proceedings.

Table of Contents**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****DECEMBER 31, 2008****NOTE 10. RENTAL INCOME**

During the year ended December 31, 2008, approximately 92% of rental income was related to residential apartments and condominium units with leases of one year or less. The remaining 8% was related to commercial properties, which have minimum future annual rental income on non-cancellable operating leases at December 31, 2008 as follows:

	Commercial Property Leases
2009	\$ 2,636,000
2010	2,450,000
2011	2,304,000
2012	1,779,000
2013	1,427,000
Thereafter	2,716,000
	\$ 13,312,000

The aggregate minimum future rental income does not include contingent rentals that may be received under various leases in connection with percentage rents, common area charges and real estate taxes. Aggregate contingent rentals from continuing operations were approximately \$477,000, 366,000, and \$389,000 for the years ended December 31, 2008, 2007, and 2006 respectively.

Rents receivable are net of allowances for doubtful accounts of approximately \$460,000, \$558,000, and \$494,000 at December 31, 2008, 2007 and 2006, respectively. Included in rents receivable is approximately \$418,000 resulting from recognizing rental income from non-cancelable commercial leases with future rental increases on a straight-line basis. The majority of this amount is for long-term leases with Staples and Trader Joe's at Staples Plaza in Framingham, Massachusetts.

In 2008, rent at the commercial properties includes approximately \$ 2,300 of amortization of deferred rents arising from the fair values assigned to in-place leases upon the purchase of Cypress Street in Brookline, Massachusetts.

NOTE 11. CASH FLOW INFORMATION

During the years ended December 31, 2008, 2007 and 2006, cash paid for interest was \$7,754,690, \$7,688,346, and \$7,734,914, respectively.

Non-cash financing activity exchange of depositary receipts for Class B and General Partnership Units (Note 8).

NOTE 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Partnership in estimating the fair value of its financial instruments:

For cash and cash equivalents, other assets, investment in partnerships, accounts payable, advance rents and security deposits: fair value approximates the carrying value of such assets and liabilities.

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

For mortgage notes payable: fair value is generally based on estimated future cash flows, which are discounted using the quoted market rate from an independent source for similar obligations. Refer to the table below for the carrying amount and estimated fair value of such instruments.

	Carrying Amount	Estimated Fair Value
Mortgage Notes Payable		
Partnership Properties		
At December 31, 2008	\$ 138,160,262	\$ 143,432,532
At December 31, 2007	\$ 113,579,904	\$ 115,104,658
Investment Properties		
At December 31, 2008	\$ 33,698,374	\$ 34,294,120

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2008 and 2007. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since December 31, 2008 and current estimates of fair value may differ significantly from the amounts presented herein.

NOTE 13. TAXABLE INCOME AND TAX BASIS

Taxable income reportable by the Partnership and includable in its partners' tax returns is different than financial statement income because of a tax free exchanges, accelerated depreciation, different tax lives, and timing differences related to prepaid rents and allowances. Taxable income is approximately \$7,500,000 less than statement income for the year ended December 31, 2008 and approximately \$1,000,000 greater than statement income for the year ended December 31, 2007. The cumulative tax basis of the Partnership's real estate at December 31, 2008 is approximately \$5,000,000 less than the statement basis. The primary reason for the lower taxable income and the lower tax basis is the acquisition of Linewt and Cyress Street utilizing tax free exchanges in 2008. The Partnership's tax basis in its joint venture investments is approximately \$200,000 less than statement basis. The tax free exchanges and mortgage prepayment penalties in 2008 and depreciation rules that generated substantial tax deductions expired in 2008 accordingly taxable income in future years may exceed statement income.

Taxable income	2008		2007		2006	
	Total	Per Receipt	Total	Per Receipt	Total	Per Receipt
Ordinary income (loss)	\$(4,352,981)	\$ (3.95)	\$2,139,461	\$ 1.28	\$2,129,222	\$ 1.23
1250 capital gain	2,238,137	2.03				
Long term capital gain	1,135,112	1.03				
Total	\$ (979,732)	\$ (0.89)	\$2,139,461	\$ 1.28	\$2,129,222	\$ 1.23

F-21

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

Since November 2001, the Partnership has invested in nine limited partnerships, the majority of which has invested in residential apartment complexes, with one partnership investing in commercial property. The Partnership has a 50% ownership interest in each investment. The other investors are Harold Brown, the President of the Management Company and five other employees of the Management Company. Harold Brown's ownership interest is between 43.2% and 47.5%, with the balance of 6.8% and 2.5% owned by the others. A description of each investment is as follows:

On October 3, 2005, the Partnership invested \$2,500,000 for a 50% ownership interest in a 168-unit apartment complex in Quincy, Massachusetts. The purchase price was \$30,875,000. The Partnership plans to sell the majority of units as condominium and retain 48 units for long-term investment. Gains from the sales of units will be taxed at ordinary income rates (approximately \$47,000 per unit). In February 2007, the Partnership refinanced the 48 units which will be retained with a new mortgage in the amount of \$4,750,000 with an interest rate of 5.57%, interest only for five years. The loan will be amortized over 30 years thereafter and matures in March 2017. In April 2008, the Partnership refinanced an additional 20 units and obtained a new mortgage in the amount of \$2,368,000 with interest at 5.75%, interest only, which matures in 2013. As of February 2, 2009, the Partnership sold 105 units, the proceeds of which went to pay down the mortgage on the property. The balance on the new mortgage is approximately \$1,808,000 at December 31, 2008. Gain from the sale of units (approximately \$38,000) will be taxed at ordinary income rates. This investment is referred to as Hamilton Bay Apartments, LLC.

On March 7, 2005, the Partnership invested \$2,000,000 for a 50% ownership interest in a building comprising 49 apartments, one commercial space and a 50-car surface parking lot located in Boston, Massachusetts. The purchase price was \$14,300,000, with a \$10,750,000 mortgage. The Partnership plans to operate the building and initiate development of the parking lot. In June 2007, the Partnership separated the parcels, formed an additional limited liability company for the residential apartments and obtained a mortgage on the property. The new limited liability company formed for the residential apartments is referred to as Hamilton Essex 81, LLC. In August 2008, the Partnership restructured the mortgages on both parcels at Essex 81 and transferred the residential apartments to Hamilton Essex 81, LLC. The mortgage on Hamilton Essex 81, LLC is \$8,600,000 with interest only at 5.79% due in August 2015. The mortgage on Essex Development, LLC is \$2,162,000 with a variable interest rate of 2.25% over the daily Libor rate (.135% at December 31, 2008) and is due in August 2011. Harold Brown has issued a personal guaranty up to \$1,000,000 of this mortgage. In the event that he is obligated to make payments to the lender as a result of this guaranty, the Partnership and other investors have, in turn, agreed to indemnify him for their proportionate share of any such payments. The investment in the parking lot is referred to as Hamilton Essex Development, LLC; the investment in the apartments is referred to as Hamilton Essex 81, LLC.

On March 2, 2005, the Partnership invested \$2,352,000 for a 50% ownership interest in a 176-unit apartment complex with an additional small commercial building located in Quincy, Massachusetts. The purchase price was \$23,750,000. The Partnership plans to sell the majority of units as condominiums and retain 49 units for long-term investment. The Partnership obtained a new 10-year mortgage in the amount of \$5,000,000 on the units to be retained by the Partnership. The interest on the new loan is 5.67% fixed for the 10 year term with interest only payments for five years and amortized over a 30 year period for the balance of the loan term. As of February 2, 2009, all of the 127 units have been

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

sold. Gains from the sales of units (approximately \$60,000 per unit) will be taxed at ordinary income rates. This investment is referred to as Hamilton 1025, LLC.

In September 2004, the Partnership invested approximately \$5,075,000 for a 50% ownership interest in a 42-unit apartment complex located in Lexington, Massachusetts. The purchase price was \$10,100,000. In October 2004, the Partnership obtained a mortgage on the property in the amount of \$8,025,000 and returned \$3,775,000 to the Partnership. The Partnership obtained a new 10-year mortgage in the amount of \$5,500,000 in January 2007. The interest on the new loan is 5.67% fixed for the ten year term with interest only payments for five years and amortized over a 30 year period for the balance of the loan. This new loan required a cash contribution by the Partnership of \$1,250,000 in December 2006. The unamortized deferred financing costs of approximately \$30,000 were written off in the first quarter of 2007. This investment is referred to as Hamilton Minuteman, LLC.

In August 2004, the Partnership invested \$8,000,000 for a 50% ownership interest in a 280-unit apartment complex located in Watertown, Massachusetts. The total purchase price was \$56,000,000. As of February 2, 2009, the Partnership sold all of the 137 units as condominiums which were located in three buildings. Gains from these sales will be taxed as ordinary income (approximately \$50,000 per unit). The majority of the sales proceeds were applied to reduce the mortgage with the final payment made during the second quarter of 2007. With the sale of the units and the payments of the liabilities, the assets will be combined with Hamilton on Main Apartments, LLC. An entity partially owned by the majority shareholder of the General Partner and the President of the management company, 31% and 5%, respectively, was the sales agent and will receive a variable commission on each sale of 3% to 5%. Hamilton on Main, LLC is known as Hamilton Place.

In 2005, Hamilton on Main Apartments, LLC obtained a new ten year mortgage on the three buildings to be retained. The new mortgage is \$16,825,000, with interest only of 5.18% for three years and amortizing on a 30 year schedule for the remaining seven years when the balance is due. The net proceeds after funding escrow accounts and closing costs on the new mortgage were approximately \$16,700,000, which were used to reduce the existing mortgage. Hamilton on Main LLC paid a fee of approximately \$400,000 in connection with this early extinguishment of debt.

In November 2001, the Partnership invested approximately \$1,533,000 for a 50% ownership interest in a 40-unit apartment building in Cambridge, Massachusetts. This property has a 12-year mortgage, with a remaining balance at December 31, 2008 of approximately \$7,461,000 at 6.9% which is amortized on a 30-year schedule, with a final payment of approximately \$6,000,000 in 2014. This investment is referred to as 345 Franklin, LLC.

As required by the lender, the Treasurer of the General Partner has provided a limited repayment guaranty equal to fifty percent (50%) of the outstanding balance for the loan on the for sale units at Hamilton Bay and a limited guaranty of \$1,000,000 for the loan on Hamilton Essex Development. In the event that he is obligated to make payments to the lenders as a result of these guaranties, the Partnership and other investors have, in turn, agreed to indemnify him for their proportionate share of any such payments.

[Table of Contents](#)

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Summary financial information for the year ended December 31, 2008

	Hamilton Essex 81	Hamilton Essex Development	345 Franklin	Hamilton 1025	Hamilton Bay Sales	Hamilton Bay Apts	Hamilton Minuteman Apts	Hamilton on Main Apts	Hamilton Place Sales	Total
ASSETS										
Rental Properties	10,589,378	2,576,552	9,336,147	6,628,614	2,332,236	8,222,978	8,282,900	25,212,271		73,181,077
Cash & Cash Equivalents	34,463	280	844	164,181	743	7,352	19,119	5,972		232,955
Rent Receivable	3,743		8,500	(94)	127	(978)	(1,221)	1,524		11,601
Real Estate Tax Escrow	57,503		22,057	41,079		47,879	32,075	94,937		295,530
Due From Investment Properties	50,000			90,000	100,960	40,000		230,000		510,960
Prepaid Expenses & Other Assets	71,984	1,423	73,973	63,631	223,923	51,619	61,666	352,429		900,647
Financing & Leasing Fees	50,147	109,015	40,828	39,751	21,763	51,690	33,233	43,250		389,676
Total Assets	10,857,218	2,687,271	9,482,349	7,027,162	2,679,752	8,420,541	8,427,772	25,940,382		75,522,446
LIABILITIES AND PARTNERS' CAPITAL										
Mortgage Notes Payable	8,600,000	2,162,000	7,461,483	5,000,000	1,808,000	4,750,000	5,500,000	16,640,374		51,921,857
Due to Investment Properties			425,000		40,000	960	45,000			510,960
Accounts Payable & Accrued Expense	55,151	8,744	64,525	7,827	18,617	17,891	39,716	171,783		384,255
Advance Rental Pymts & Security Dep	136,435		119,609	58,125	18,533	76,888	57,937	190,620		658,147
Total Liabilities	8,791,586	2,170,744	8,070,616	5,065,952	1,885,150	4,845,740	5,642,653	17,002,777		53,475,219
Partners' Capital	2,065,632	516,527	1,411,732	1,961,209	794,602	3,574,801	2,785,119	8,937,605		22,047,226
Total Liabilities and Capital	10,857,218	2,687,271	9,482,349	7,027,162	2,679,752	8,420,541	8,427,772	25,940,382		75,522,446
Partners' Capital NERA 50%	1,032,816	258,264	705,866	980,605	397,301	1,787,400	1,392,560	4,468,803		11,023,611
Total units/condominiums										
Apartments	48		40	175	120	48	42	148	137	758
Commercial	1	1		1						3
Total	49	1	40	176	120	48	42	148	137	761
Units to be retained	49	1	40	49		48	42	148		377
Units to be sold				127	120				137	384
Units sold through February 2, 2009				127	105				137	369
Balance of unsold units					15					15
Unsold units with deposits for future sale as of February 2, 2009					1					1

[Table of Contents](#)

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Year Ended December 31, 2008

	Hamilton Essex 81	Hamilton Essex Development	345 Franklin	Hamilton 1025	Hamilton Bay Sales	Hamilton Bay Apts	Hamilton Minuteman Apts	Hamilton on Main Apts	Hamilton Place Sales	Total
Revenues										
Rental Income	678,687	795,075	1,042,386	795,927	224,595	816,009	753,993	2,353,792	1,747	7,462,210
Laundry and Sundry Income	1,433	1,200	1,736				2,808	19,505		26,683
	680,120	796,275	1,044,123	795,927	224,595	816,009	756,801	2,373,297	1,747	7,488,893
Expenses										
Administrative	11,083	5,382	37,463	18,376	9,944	12,032	4,597	56,078	3,839	158,794
Depreciation and Amortization	431,753	20,226	385,168	363,898	158,574	390,865	517,958	1,549,671	7,019	3,825,132
Management Fees	34,981	32,413	42,539	31,868	9,799	32,308	29,309	97,527	51	310,793
Operating	88,850	62,246	62,660	1,461	1,717	1,085	64,790	362,065	214	645,088
Renting	8,898	15,700	54,014	5,416	1,755	2,521	3,786	30,794		122,884
Repairs and Maintenance	42,527	72,451	80,362	325,415	146,157	264,104	97,316	408,826	5,828	1,442,987
Taxes and Insurance	123,694	76,160	93,576	125,898	54,094	115,782	121,866	316,355	4,861	1,032,284
	741,786	284,578	755,782	872,332	382,040	818,698	839,621	2,821,316	21,811	7,537,963
Income Before Other Income	(61,666)	511,697	288,341	(76,404)	(157,445)	(2,689)	(82,820)	(448,019)	(20,064)	(49,070)
Other Income (Loss)										
Interest Expense	(481,505)	(130,336)	(523,400)	(289,626)	(86,675)	(271,992)	(318,108)	(887,633)	(7)	(2,989,281)
Interest Income	1,456	101	261	705	4,156	480	263	1,484	2,640	11,546
Gain on Sale of Real Estate				172,993	354,415			12,925	335,124	875,456
	(480,049)	(130,235)	(523,139)	(115,928)	271,896	(271,512)	(317,845)	(873,224)	337,757	(2,102,278)
Net Income (Loss)	(541,714)	381,461	(234,798)	(192,332)	114,450	(274,201)	(400,665)	(1,321,242)	317,693	(2,151,348)
Net Income (loss) NERA 50%	(270,857)	190,731	(117,399)	(96,166)	57,225	(137,101)	(200,333)	(660,621)	158,846	(1,075,674)

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2008

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Future annual mortgage maturities at December 31, 2008 are as follows:

Period End	Hamilton Essex 81 March 2005	Hamilton Essex Development March 2005	Franklin Street November 2001	1025 Hamilton March 2005	Hamilton Bay October 2005	Hamilton Bay October 2005	Hamilton Minuteman August 2004	Hamilton Place August 2004	Hamilton Place August 2004	Total
December 31, 2009			137,433					238,021		375,455
December 31, 2010	35,903		147,222					250,827		433,952
December 31, 2011	111,951	2,162,000	157,708	4,513				261,897		2,698,068
December 31, 2012	118,608		168,941	60,747		52,396	66,528	278,413		745,532
December 31, 2013	125,660		6,850,179	65,157	1,808,000	66,163	71,363	293,392		9,279,915
Thereafter	8,207,879			4,869,583		4,631,441	5,362,109	15,317,823		38,388,835
	8,600,000	2,162,000	7,461,483	5,000,000	1,808,000	4,750,000	5,500,000	16,640,374		51,921,857

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2008

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)**Summary financial information for the year ended December 31, 2007**

	Hamilton Essex 81	Hamilton Essex Development	345 Franklin	Hamilton 1025	Hamilton Bay Sales	Hamilton Bay Apts	Hamilton Minuteman Apts	Hamilton on Main Apts	Hamilton Place Sales	Total
ASSETS										
Rental Properties	10,728,159	2,844,386	9,266,065	7,193,537	4,524,703	8,574,433	8,735,432	25,498,116	2,069,379	79,434,209
Cash & Cash Equivalents	2,543	76,538	5,147	105,981	27,897	44,409	4,273	3,690	409,583	680,060
Rent Receivable	23,819	153,563		(499)	4,400	(833)		9,948	102	190,499
Real Estate Tax Escrow	19,052		23,444	47,075		29,692	18,759	416,713		554,734
Due From Investment Properties				999,927					1,130,591	2,130,518
Prepaid Expenses & Other Assets	127,482	2,877	107,986	63,405	110,451	37,307	72,200	319,805	706	842,219
Financing & Leasing Fees	117,609	38,890	48,994	44,777		58,052	38,275	51,946	3,068	401,610
Total Assets	11,018,663	3,116,256	9,451,635	8,454,203	4,667,450	8,743,060	8,868,938	26,300,216	3,613,430	84,233,851
LIABILITIES AND PARTNERS' CAPITAL										
Mortgage Notes Payable	7,762,000	3,000,000	7,589,778	5,000,000	582,828	4,750,000	5,500,000	16,825,000		51,009,607
Due to Investment Properties			25,000		1,599,927		75,000	430,591		2,130,518
Accounts Payable & Accrued Expense	48,229	23,024	71,176	7,759	109,328	7,796	45,554	125,821	11,814	450,501
Advance Rental Pymts & Security Dep	110,254	24,000	119,151	62,903	20,215	81,261	47,599	152,948	1,318	619,650
Total Liabilities	7,920,483	3,047,024	7,805,106	5,070,662	2,312,298	4,839,057	5,668,153	17,534,360	13,132	54,210,275
Partners' Capital	3,098,180	69,231	1,646,529	3,383,541	2,355,151	3,904,003	3,200,785	8,765,856	3,600,298	30,023,575
Total Liabilities and Capital	11,018,663	3,116,256	9,451,635	8,454,203	4,667,450	8,743,060	8,868,938	26,300,216	3,613,430	84,233,851
Partners' Capital NERA										
50%	1,549,090	34,616	823,265	1,691,770	1,177,576	1,952,001	1,600,393	4,382,928	1,800,149	15,011,786
Total units/condominiums	48	1	40	176	120	48	42	146	137	758
Units to be retained	48	1	40	49		48	42	146		374
Units to be sold				127	120				137	384
Units sold through February 1, 2008				124	92				132	348
Balance of unsold units				3	28				5	36
Unsold units with deposits for future sale as of February 1, 2008				1	2				3	6

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Year Ended December 31, 2007

	Hamilton Essex 81	Hamilton Essex Development	345 Franklin	Hamilton 1025	Hamilton Bay Sales	Hamilton Bay Apts	Hamilton Minuteman Apts	Hamilton on Main Apts	Hamilton Place Sales	Total
Revenues										
Rental Income	\$ 938,978	\$ 517,331	\$ 1,012,137	\$ 800,740	\$ 672,544	\$ 637,856	\$ 731,160	\$ 2,345,736	\$ 205,146	\$ 7,861,629
Laundry and Sundry Income	1,571	3,804	3,285				751	17,144		26,554
	940,549	521,135	1,015,422	800,740	672,544	637,856	731,911	2,362,880	205,146	7,888,182
Expenses										
Administrative	9,090	10,395	26,316	22,818	37,413	12,463	54,917	51,461	16,601	241,474
Depreciation and Amortization	293,828	127,042	336,094	365,576	585,042	271,789	541,277	1,579,843	217,113	4,317,604
Management Fees	38,989	15,767	42,648	35,165	26,992	29,073	29,882	95,218	8,183	321,918
Operating	81,458	40,205	60,888	3,387	14,074	1,177	72,240	305,128	4,869	583,427
Renting	2,600	14,092	47,655	4,927	1,864	5,065	4,237	13,250		93,691
Repairs and Maintenance	45,916	51,525	79,050	270,217	320,331	202,699	85,215	351,000	145,255	1,551,208
Taxes and Insurance	112,496	60,319	88,208	151,350	170,239	114,780	71,555	288,929	76,397	1,134,273
	584,378	319,346	680,860	853,440	1,155,956	637,046	859,322	2,684,829	468,417	8,243,594
Income Before Other Income	356,171	201,789	334,562	(52,700)	(483,412)	810	(127,411)	(321,949)	(263,271)	(355,411)
Other Income (Loss)										
Interest Expense	(493,687)	(247,503)	(531,570)	(288,307)	(523,180)	(238,732)	(322,974)	(887,884)	(50,151)	(3,583,987)
Interest Income	2,164	126	976	13,437	109	954	5,470	720	21,458	45,415
Gain on Sale of Real Estate				764,548	1,320,114				1,193,968	3,278,630
Other Expenses				(37,428)						(37,428)
	(491,523)	(247,377)	(530,594)	452,250	794,043	(237,778)	(317,504)	(887,164)	1,165,275	(297,370)
Net Income (Loss)	\$ (135,353)	\$ (45,588)	\$ (196,032)	\$ 399,551	\$ 313,632	\$ (236,969)	\$ (444,915)	\$ (1,209,113)	\$ 902,004	\$ (652,783)
Net Income (loss) NERA 50%	(67,676)	(22,794)	(98,016)	199,775	156,816	(118,484)	(222,457)	(604,556)	451,002	(326,391)

[Table of Contents](#)

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Summary financial information for the year ended December 31, 2006

	Hamilton Essex 81	345 Franklin	Hamilton 1025	Hamilton Bay	Hamilton Minuteman Apts	Hamilton on Main Apts	Hamilton Place Sales	Total
ASSETS								
Rental Properties	13,911,070	9,523,919	9,191,080	21,390,315	9,207,691	26,957,758	8,644,432	98,826,265
Cash & Cash Equivalents	140,815	6,208	284,520	161,904	2,296,587	6,688	33,520	2,930,242
Rent Receivable	46,927	2,533	6,979	1,550				57,990
Real Estate Tax Escrow		23,456	30,938			343,155		397,550
Prepaid Expenses & Other Assets	77,149	111,132	100,898	87,299	158,120	322,950	32,427	889,975
Financing & Leasing Fees	72,225	57,160	50,051	126,861	35,639	60,642	23,106	425,683
Total Assets	14,248,186	9,724,407	9,664,467	21,767,930	11,698,037	27,691,193	8,733,485	103,527,705
LIABILITIES AND PARTNERS' CAPITAL								
Mortgage Notes Payable	10,750,000	7,709,544	5,000,000	15,230,672	7,941,811	16,825,000	2,380,745	65,837,772
Accounts Payable & Accrued Expense	105,441	37,717	14,303	181,153	76,995	149,190	35,402	600,201
Advance Rental Pymts & Security Dep	134,393	134,584	66,173	173,613	33,535	142,036	19,042	703,376
Total Liabilities	10,989,833	7,881,845	5,080,476	15,585,438	8,052,341	17,116,226	2,435,190	67,141,349
Partners' Capital	3,258,353	1,842,563	4,583,992	6,182,491	3,645,696	10,574,967	6,298,294	36,386,356
Total Liabilities and Capital	14,248,186	9,724,407	9,664,467	21,767,930	11,698,037	27,691,193	8,733,483	103,527,705
Partners' Capital NERA								
50%	1,629,176	921,281	2,291,996	3,091,246	1,822,848	5,287,484	3,149,147	18,193,178
Total units/ condominiums	49	40	176	168	42	146	137	758
Units to be retained	49	40	49	48	42	146		374
Units to be sold			127	120			137	384
Units sold through February 1, 2007			110	52			93	255
Balance of unsold units			17	68			44	129
Unsold units with deposits for future sale as of February 1, 2007			2	5			3	

F-29

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Year Ended December 31, 2006

	Hamilton Essex 81	345 Franklin	Hamilton 1025	Hamilton Bay	Hamilton Minuteman Apartments	Hamilton on Main Apartments	Hamilton Place Sales	Total
Revenues								
Rental Income	1,433,198	1,004,542	912,639	1,733,456	698,992	2,323,773	582,856	8,689,456
Laundry and Sundry Income	5,005	5,545	15,782	13,521		40,256		80,110
	1,438,203	1,010,088	928,421	1,746,977	698,992	2,364,029	582,856	8,769,566
Expenses								
Administrative	21,142	14,877	85,710	123,853	2,793	64,496	8,736	321,608
Depreciation and Amortization	408,001	362,120	478,491	1,139,091	538,876	1,439,203	420,114	4,785,896
Management Fees	58,992	41,681	38,870	74,167	28,448	95,319	23,025	360,501
Operating	148,664	57,977	21,190	65,446	62,208	301,164	11,657	668,306
Renting	14,833	32,460	15,396	6,283	6,256	31,249	2,309	108,786
Repairs and Maintenance	104,085	68,274	442,363	830,355	82,043	353,424	371,852	2,252,396
Taxes and Insurance	196,236	104,660	209,530	313,465	72,696	340,074	168,121	1,404,783
	951,953	682,049	1,291,550	2,552,660	793,320	2,624,928	1,005,814	9,902,276
Income Before Other Income	481,245	328,039	(363,129)	(805,683)	(94,328)	(260,900)	(422,958)	1,132,710
Other Income (Loss)								
Interest Expense	(790,732)	(539,613)	(473,355)	(1,502,574)	(580,642)	(889,358)	(419,270)	(5,195,544)
Interest Income	272	343	533	468			2,240	3,856
Gain on Sale of Real Estate			1,394,028	2,448,802			1,592,211	5,435,041
Other Income (Expenses)			50					50
	(790,460)	(539,270)	921,256	946,696	(580,642)	(889,358)	1,175,181	243,402
Net Income (Loss)	(304,209)	(211,233)	558,126	141,013	(674,969)	(1,150,259)	752,222	(889,308)
Net Loss NERA 50%	(152,105)	(105,616)	279,063	70,506	(337,484)	(575,129)	376,111	(444,654)

NOTE 15. NEW ACCOUNTING PRONOUNCEMENT

In June 2005, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") regarding EITF 04-05, "Investor's Accounting for an Investment in a Limited Partnership When the Investor is the Sole General Partner and the Limited Partners Have Certain Rights." The conclusion provides a framework for addressing the question of when a sole general partner, as defined in EITF 04-05, should consolidate a limited partnership. The EITF has concluded that the general partner of a limited partnership should consolidate a limited partnership, unless the limited partners have either (a) the substantive ability to dissolve the limited partnership or otherwise remove the general partner without cause, or (b) substantive participating rights. In addition, the EITF concluded that the guidance should be expanded to include all limited partnerships, including those with multiple general partners. We adopted EITF 04-05 as of January 1, 2006. We have assessed our investments in unconsolidated real estate joint ventures and have determined that EITF 04-05 did not have an impact on our financial condition or results of operations.

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 15. NEW ACCOUNTING PRONOUNCEMENT (Continued)

Fair Value Measurements SFAS 157 & The Fair Value Option for Financial Assets and Financial Liabilities SFAS 159, and FASB Staff Position No. 157-2

Effective January 1, 2008, the Partnership adopted Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements" (SFAS 157) and SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). SFAS 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States (GAAP) and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The impact of adopting both SFAS 157 and SFAS 159 was immaterial to the Partnership.

In February 2008, the FASB issued FASB Staff Position 157-2, which deferred the effective date of SFAS 157 for one-year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value on a nonrecurring basis. SFAS 157 is now effective for those assets and liabilities for years beginning after November 15, 2008.

FASB Statement No. 141(R) (revised 2007), ("FASB No. 141(R)")*Business Combinations*

In December 2007, the FASB issued FASB No. 141(R) which establishes principles and requirements for how the acquirer shall recognize and measure in its financial statements the identifiable assets acquired, liabilities assumed, any noncontrolling interest in the acquiree and goodwill acquired in a business combination. This statement is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

FASB Statement No. 160 ("FASB No. 160"), *Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51*

In December 2007, the FASB issued No. 160, which establishes and expands accounting and reporting standards for minority interests, which will be recharacterized as noncontrolling interests, in a subsidiary and the deconsolidation of a subsidiary. FASB 160 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This statement is effective for fiscal years beginning on or after December 15, 2008. The Partnership is currently assessing the potential impact that the adoption of FASB No. 160 will have on its financial position and results of operations.

FASB Staff Position No. 142-3, Determination of the Useful Life of Intangible Assets

The FASB Staff Position (FSP) No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible assets under FASB Statement No. 142, Goodwill and Other Intangible Assets. The intent of the FSP is to improve the consistency between the useful life of a recognized intangible asset under

Table of Contents

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 15. NEW ACCOUNTING PRONOUNCEMENT (Continued)

FASB No. 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007), Business Combinations, and other U.S. generally accepted accounting principles. The FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The guidance for determining the useful life of a recognized intangible asset if this FSP shall be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. The Partnership does not believe that the adoption of this FSP will have a material effect on the financial position and results of operations.

FASB Staff Position No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active

In October 2008, the FASB issued Staff Position No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active ("FSP 157-3"). FSP 157-3 clarified the application of SFAS 157 in cases where a market is not active. FSB 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The Partnership has considered the guidance provided by FSP 157-3 in its determination of estimated fair values as of December 31, 2008, and the impact was not material.

FASB Statement No. 161 ("FASB No. 161"), Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement No. 133

In March 2008, the FASB issued FASB No. 161. FASB No. 161 requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. FASB No. 161 also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of SFAS 133 have been applied, and the impact that hedges have on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Partnership does not anticipate the adoption of SFAS 161 will have a material impact on the disclosures contained in its financial statements.

In May 2008, the FASB issued SFAS no. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. We do not expect any significant changes to our financial accounting and reporting as a result of the issuance of SFAS No. 162.

[Table of Contents](#)

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2008

NOTE 16. DISCONTINUED OPERATIONS AND SALES OF REAL ESTATE

The following tables summarize income from discontinued operations and the related realized gain and loss on sale of rental property for the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31,		
	2008	2007	2006
Total Revenues	\$ 243,470	\$ 1,434,742	\$ 741,081
Operating and other expenses	(256,875)	(1,115,461)	(609,091)
Depreciation and amortization	(97,461)	(226,140)	(82,393)
	(354,336)	(1,341,601)	(691,484)
Income (loss) from discontinued operations	\$ (110,866)	\$ 93,141	\$ 49,597

	Year Ended December 31,		
	2008	2007	2006
Gain (loss) on sale of rental property	\$ 10,099,127	\$ (100,000)	\$

NOTE 17. QUARTERLY FINANCIAL DATA (UNAUDITED)

	Three Months Ended					Total
	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008		
Revenue	\$ 7,997,917	\$ 8,008,090	\$ 8,077,387	\$ 8,213,751	\$ 32,297,145	
Expenses	5,766,105	5,468,945	5,698,327	5,580,095	22,513,472	
Income Before Other Income	2,231,812	2,539,145	2,379,060	2,633,656	9,783,673	
Other Income (Loss)	198,192	1,034,501	(2,154,676)	(2,279,979)	(3,201,962)	
Net Income (Loss)	\$ 2,430,004	\$ 3,573,646	\$ 224,384	\$ 353,677	\$ 6,581,711	
Net Income (Loss) per Unit	\$ 16.05	\$ 27.02	\$ 1.69	\$ 3.01	\$ 47.77	
Net Income(Loss) per Depository Receipt	\$ 1.61	\$ 2.70	\$ 0.17	\$ 0.30	\$ 4.78	

	Three Months Ended					Total
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007		
Revenue	\$ 7,780,182	\$ 7,662,067	\$ 7,711,049	\$ 7,789,328	\$ 30,942,626	
Expenses	5,748,493	5,298,280	5,647,056	5,580,755	22,274,584	
Income Before Other Income	2,031,689	2,363,787	2,063,993	2,208,573	8,668,042	
Other Income (Loss)	(2,091,244)	(1,776,264)	(1,845,300)	(1,768,502)	(7,481,310)	

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Net Income (Loss)	\$	(59,555)	\$	587,523	\$	218,693	\$	440,071	\$	1,186,732
Net Income per Unit	\$	(0.34)	\$	3.39	\$	1.26	\$	2.60	\$	6.91
Net Income per Depository Receipt	\$	(0.03)	\$	0.34	\$	0.12	\$	0.26	\$	0.69

F-33

Table of Contents

**New England Realty Associates Limited Partnership
Valuation and Qualifying Accounts**

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Charged to other account describe	Deductions Describe (a)	Balance at end of Period
Year ended December 31, 2008:					
Deducted from asset accounts:					
Allowance for doubtful accounts	557,836	201,600		299,109	460,327
Year ended December 31, 2007:					
Deducted from asset accounts:					
Allowance for doubtful accounts	494,298	356,670		293,132	557,836
Year ended December 31, 2006:					
Deducted from asset accounts:					
Allowance for doubtful accounts	284,005	468,588		258,295	494,298

(a) uncollectible accounts written off

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
(3)	Second Amended and Restated Contract of Limited Partnership.(1)
(4)	(a) Specimen certificate representing Depositary Receipts.(2)
	(b) Description of rights of holders of Partnership securities.(2)
	(c) Deposit Agreement, dated August 12, 1987, between the General Partner and the First National Bank of Boston.(3)
(10.1)	Purchase and Sale Agreement by and between Sally A. Starr and Lisa Brown, Trustees of Omnibus Realty Trust, a nominee trust.(5)
(10.2)	Commitment letter from Wachovia Multifamily Capital, Inc. to The Hamilton Company dated January 11, 2008.(6)
(10.3)	Amendment dated February 27, 2008 to Commitment letter from Wachovia Multifamily Capital, Inc. to The Hamilton Company dated January 11, 2008.(7)
(21)	Subsidiaries of the Partnership.(4)
(31.1)	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Ronald Brown, Principal Executive Officer of the Partnership (President and a Director of NewReal, Inc., sole General Partner of the Partnership)
(31.2)	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Harold Brown, Principal Financial Officer of the Partnership (Treasurer and a Director of NewReal, Inc., sole General Partner of the Partnership)
(32.1)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Ronald Brown, Principal Executive Officer of the Partnership (President and a Director of NewReal, Inc., sole General Partner of the Partnership).
(32.2)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Harold Brown, Principal Financial Officer of the Partnership (Treasurer and a Director of NewReal, Inc., sole General Partner of the Partnership).
(99)	Report of the Audit Committee
(99.1)	Combined Financial Statements of Significant Subsidiaries

(1) Incorporated by reference to Exhibit A to the Partnership's Statement Furnished in Connection with the Solicitation of Consents filed under the Securities Exchange Act of 1934 on October 14, 1986.

(2) Incorporated herein by reference to Exhibit A to Exhibit 2(b) to the Partnership's Registration Statement on Form 8-A, filed under the Securities Exchange Act of 1934 on August 17, 1987.

(3) Incorporated herein by reference to Exhibit 2(b) to the Partnership's Registration Statement on Form 8-A, filed under the Securities Exchange Act of 1934 on August 17, 1987.

- (4) Incorporated by reference to Notes 2 and 14 to Financial Statements included as part of this Form 10-K.
- (5) Incorporated by reference to Exhibit 2.1 to the Partnership's Current Report on Form 8-K dated June 30, 1995.
- (6) Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K dated January 11, 2008 and filed with the Securities and Exchange Commission on February 6, 2008.
- (7) Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K dated February 27, 2008 and filed with the Securities and Exchange Commission on March 4, 2008.