NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP
Form 10-K
March 13, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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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, 2018

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 001 31568

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New England Realty Associates Limited Partnership

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Massachusetts | 04 2619298 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. employer identification no.) |
| 39 Brighton Avenue, Allston, Massachusetts | 02134 |
| (Address of principal executive offices) | (Zip Code) |

Registrant’s telephone number, including area code: (617) 783 0039

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

| | |
|---|---|
| Depositary Receipts | NYSE MKT |
| (Title of each Class) | (Name of each Exchange on which Registered) |

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

Class A
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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). 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 the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendments to this Form 10-K

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

| | | | |
|---|---|---|---|
| Large accelerated filer | Accelerated filer | Non-accelerated filer | Smaller reporting company |
| | | | Emerging growth company |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At June 30, 2018, the aggregate market value of the registrant's securities held by non affiliates of the registrant was $148,430,661 based on the closing price of the registrant's traded securities on the NYSE MKT Exchange on such date. 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.

As of March 1, 2019, there were 98,119 of the registrant's Class A units (2,943,578 Depositary Receipts) of limited partnership issued and outstanding and 23,303 Class B units issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP

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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 initially 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 30 publicly traded depositary receipts ("Receipts"), which are currently listed on the NYSE American 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" or "New Real"). 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 27 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 eight limited liability companies (the "Investment Properties" or "Joint Ventures") in which the Partnership has between a 40% and 50% ownership interest. The majority shareholder of the General Partner indirectly owns between 47.6% and 59%, and five other current and past employees of Hamilton own collectively between 0% and 2.4%, respectively of Joint Ventures . The Partnership's interest in the Investment Properties is accounted for on the equity method in the Consolidated Financial Statements. See Note 1 to the Consolidated Financial Statements—"Principles of Consolidation." See Note 14 to the Consolidated Financial Statements—"Investment in Unconsolidated Joint Ventures" 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 an 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 used to reduce debt, 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.

Operations of the Partnership

On February 24, 2019, Harold Brown, the owner of 75% of the outstanding voting securities of NewReal Inc., the general partner, of New England Realty Associates Limited Partnership passed away. As a result, Mr. Brown's estate

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currently holds voting control over the NewReal shares.

Effective as of February 24, 2019, the Board of Directors of the Partnership's general partner, NewReal Inc., elected Jameson Brown as the Treasurer and Chief Financial Officer of New Real to fill the vacancy created by the death of Harold Brown, who served as both the Treasurer and a director of NewReal.

As of December 31, 2018, the Partnership was 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 was wholly owned by Harold Brown and employed Ronald Brown and Harold Brown. The Partnership, Subsidiary Partnerships, and the Investment Properties currently contract with the management company for 53 individuals at the Properties and 15 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 1, 2019, the Partnership and its Subsidiary Partnerships owned 2,711 residential apartment units in 23 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.

As of February 1, 2019, the Subsidiary Partnerships also 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 1, 2019, the Partnership owned a 40 50% interest in 8 residential and mixed use complexes, the Investment Properties, with a total of 691 residential units, one commercial unit, and a 50 car 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 had, and, in certain cases, Ronald Brown, and officers and employees of the Hamilton Company own or have owned interests in certain of the Properties, Subsidiary Partnerships and Joint Ventures. 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. In addition to Item 1A, Risk Factors, 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 transaction to which the Partnership is a party or has an interest in or

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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.

Unit Distributions

In January 2018, the Partnership approved quarterly distributions of $9.00 per Unit ($0.30 per Receipt), payable on March 31, 2018, June 15, 2018, September 15, 2018, and December 15, 2018. In 2018 the Partnership paid a total distribution of an aggregate $ 36.00 per Unit ($1.20 per Receipt) for a total payment of $4,477,923 in 2018. In 2017 the Partnership paid a total distribution of an aggregate $64.50 per Unit ($2.15 per Receipt) for a total payment of $7,985,835 in 2017.

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 300,000 Depositary Receipts (each of which is one tenth of a Class A Unit). Over time, the General Partner has authorized increases in the equity repurchase program. On March 10, 2015, the General Partner authorized an increase in the Repurchase Program to 2,000,000 Depository Receipts and extended the Program for an additional five years from March 31, 2015 until March 31, 2020. The Repurchase Program requires 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. From August 20, 2007 through December 31, 2018, the Partnership has repurchased 1,365,306 Depositary Receipts at an average price of $27.14 per receipt (or $814.20 per underlying Class A Unit), 3,072 Class B Units and 162 General Partnership Units, both at an average price of $ 926.26 per Unit, totaling approximately $40,274,000 including brokerage fees paid by the Partnership.

Property Transactions

On March 29, 2018, Hamilton Highlands, LLC (“Hamilton Highlands”), a wholly-owned subsidiary of New England Realty Associates Limited Partnership (the “Partnership”), purchased Webster Green Apartments, a 79 unit apartment complex located at 755-757 Highland Avenue, Needham, Massachusetts. The sale was consummated pursuant to the terms of a Purchase and Sale Contract by and between Webster Green Apartments, LLC, the prior owner of the Property, and The Hamilton Companies, Inc., an affiliate of the Partnership, which agreement was subsequently assigned by Hamilton to Hamilton Highlands.

In connection with the purchase, the Hamilton Highlands entered into an Assumption and Modification Agreement dated as of March 29, 2018 with Brookline Bank pursuant to which the Hamilton Highlands assumed a note dated as of January 14, 2016 in the principal amount of $21,500,000 and various agreements relating to the Note including a Mortgage, Assignment of Leases and Rents, Security Agreement, Fixture Filing dated as of January 14, 2016. The purchase price was $34,500,000, consisting of a payment of approximately $13,000,000 in cash and the assumption of the note and mortgage. Hamilton Highlands funded $5,000,000 of the cash portion of the purchase price out of cash reserves and the remaining $8,000,000 by drawing on an existing line of credit. The closing costs were approximately $141,000. From the purchase price, the Partnership allocated approximately $502,000 for in- place leases, and approximately $40,000 to the value of tenant relationships. These amounts are being amortized over 12 and 24 months respectively.

On July 6, 2017, Woodland Park Partners, LLC, a newly formed subsidiary of the Partnership, purchased the Woodland Park Apartments, a 126-unit apartment complex located at 264-290 Grove Street, Newton, Massachusetts (the “Property”), for a purchase price of $45,600,000. The closing costs were approximately $64,000. To fund the purchase price, the Partnership borrowed $25,000,000 under its outstanding line of credit with KeyBank, NA, and $16,000,000 from HBC Holdings, LLC, a Massachusetts limited liability company controlled by Harold Brown. The loan from HBC Holdings was to mature on July 16, 2018, with interest only at 4.75%. The balance of the purchase price was funded by

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the Partnership's cash reserves. The line of credit was paid down to $17,000,000 and the loan payable to HBC Holdings was paid in full through the refinancing of Woodland Park and partnership cash reserves by December 31, 2017. From the purchase price, the Partnership allocated approximately $541,000 for in- place leases, and approximately $42,000 to the value of tenant relationships. These amounts are being amortized over 12 and 24 months respectively.

On August 3, 2016, Hamilton Green Apartments, LLC sold a single family house contiguous with its apartment complex in Andover, Massachusetts. The sale price of the property was $1,000,000 with closing costs of $227,663 and a cost basis of $668,544 resulting in a gain on the sale of $104,443. Included in the closing costs is a mortgage prepayment penalty of $187,905. The proceeds from the sale were used to reduce the principal amount on the apartment complex's mortgage.

During 2018, the Partnership and its Subsidiary Partnerships completed improvements to certain of the Properties at a total cost of approximately $4,118,000. 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 Redwood Hills, 62 Boylston Street, Hamilton Oaks, Captain Parker, 9 School Street , and 1144 Commonwealth Apartments, at a cost of $704,000, $441,000, $415,000, $312,000, $295,000, and $262,000 respectively. The Partnership plans to invest approximately $3,500,000 in capital improvements in 2019.

During 2018, two Joint Venture Partnerships sold 32 units at a gain of approximately $4,411,000. Hamilton 1025 LLC sold 16 units with a gain on the sales of approximately $1,973,000, and Hamilton Bay Apartments LLC sold 16 units at a gain of approximately $2,438,000.

Line of Credit

On July 31, 2014, the Partnership entered into an agreement for a $25,000,000 revolving line of credit. The term of the line was for three years with a floating interest rate equal to a base rate of the greater of (a) the Prime Rate (b) the Federal Funds Rate plus one-half of one percent per annum, or (c) the LIBOR Rate for a period of one month plus 1% per annum, plus the applicable margin of 2.5%. The agreement originally expired on July 31, 2017, and was extended until October 31, 2020. The costs associated with the line of credit extension were approximately $128,000. As of December 31, 2018, the credit line had an outstanding balance of $2,000,000.

On July 6, 2017, the credit line had an outstanding balance of $25,000,000, which was drawn down in its' entirety and was used in conjunction with a loan of $16,000,000 from HBC Holdings, LLC, a Massachusetts Limited Liability company controlled by Harold Brown, and cash reserves, to purchase Woodland Park Partners, LLC ("Woodland Park").

On September 29, 2017, Woodland Park Partners, LLC entered into a Multifamily Loan and Security Agreement with KeyBank National Association. As a result of securing the financing, the Partnership used the proceeds of the loan to pay off the loan from HBC Holdings, LLC. The Line of Credit was paid down by $8,000,000 on October 5, 2017 with both proceeds from the financing and cash reserves of the Partnership.

On March 29, 2018, the Partnership drew down $8,000,000 in conjunction with the purchase of Webster Green Apartments. On June 4, 2018, the Partnership paid down the credit line by $16,000,000 as a result of the proceeds from the refinancing of Hamilton Park Towers, LLC, also known as Dexter Park. In July, 2018, the Partnership paid down the line of credit by $4,000,000. In October of 2018, the Partnership paid down the Line of Credit by

$3,000,000. As of December 31, 2018, the credit line had an outstanding balance of $2,000,000. Subsequent to the end of the year, the line was paid down in full.

The line of credit may be used for acquisition, refinancing, improvements, working capital and other needs of the Partnership. The line may not be used to pay distributions, make distributions or acquire equity interests of the Partnership.

The line of credit is collateralized by varying percentages of the Partnership's ownership interest in 23 of its

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subsidiary properties and joint ventures. Pledged interests range from 49% to 100% of the Partnership's ownership interest in the respective entities.

The Partnership paid fees to secure the line of credit. Any unused balance of the line of credit is subject to a fee ranging from 15 to 20 basis points per annum. The Partnership paid approximately $27,000 for the twelve months ended December 31, 2018.

The line of credit agreement has several covenants, such as providing cash flow projections and compliance certificates, as well as other financial information. The covenants include, but are not limited to the following: maintain a leverage ratio that does not exceed 65%; aggregate increase in indebtedness of the subsidiaries and joint ventures should not exceed $15,000,000; maintain a tangible net worth (as defined in the agreement) of a minimum of $150,000,000; a minimum ratio of net operating income to total indebtedness of at least 9.5%; debt service coverage ratio of at least 1.6 to 1, as well as other items. The Partnership is in compliance with these covenants as of December 31, 2018.

Advisory Committee

As of December 31, 2018, the Advisory Committee members were limited partners Gregory Dube, Robert Nahigian, and David Ross. Mr. Dube resigned from the committee in January, 2019. 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. 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 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;

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- a lessening of demand for the multifamily and commercial units that we own;
- competition from other available multifamily residential and commercial units and changes in market rental rates;
- development by competitors of competing multi family communities;
- 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, snow removal 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;
- the perception of tenants and prospective tenants as to the attractiveness, convenience and safety of our properties or the neighborhoods in which they are located; and
- the Partnership does not carry directors and officers insurance.

We are dependent on rental income from our multifamily apartment complexes and commercial properties.  If we are unable to attract and retain tenants or if our tenants 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, owner occupied single and multifamily homes, and commercial properties in attracting tenants. This competition may affect our ability to attract and retain residents and to increase or maintain rental rates.

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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 and commercial space in these states. A decline in the market for apartment housing and/or commercial properties may 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.

We are obligated to comply with financial covenants in our indebtedness that could restrict our range of operating activities. The mortgages on our properties contain customary negative covenants, including limitations on our ability, without prior consent of the lender and other items. Failure to comply with these covenants could cause a default under the agreements and, in certain circumstances; our lenders may be entitled to accelerate our debt obligations. Defaults under our debt agreements could materially and adversely affect our financial condition and results of operations.

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. The Partnership does not carry directors and officer's liability insurance.

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.

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. Eight of our properties are owned by joint ventures in which we do not have a direct 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 and commercial properties. 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 and related entities owned approximately 35% of our depositary receipts as of December 31, 2018. 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.

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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 investor 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.

We face possible risks associated with the physical effects of climate change. We cannot predict with the certainty whether climate change is occurring and, if so at what rate. However, the physical effects of climate change could have a material effect on our properties, operations, and business. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity and rising sea levels. Over time, these conditions could result in declining demand for our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal at our properties. Proposed federal legislation to address climate change could increase utility and other costs of operating our properties which, if not offset by rising rental income, would reduce our net income. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our tenants and business partners, including personally identifiable information of our tenants and employees, in our data centers and on our networks. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations, and damage our reputation, which could adversely affect our business.

Risk of changes in the tax law applicable to real estate partnerships. Since the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any such legislative action may prospectively or retroactively modify our tax treatment and therefore, may adversely affect taxation to us, and/or our partners.

If the IRS makes audit adjustments to our income tax returns for tax years beginning after December 31, 2017, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment

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directly from us, in which case our cash available for distribution to our unitholders might be reduced.

Pursuant to the Bipartisan Budget Act of 2015, for tax years beginning after December 31, 2017, if the IRS makes audit adjustments to our income tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustments directly from the Partnership. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties and interest, our cash available for distribution to our partners might be substantially reduced. These rules are not applicable to us for tax years beginning on or prior to December 31, 2017.

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 40 50% interest in nine Investment Properties. See also “Item 13. Certain Relationships and Related Transactions and Director Independence” for information concerning affiliated transactions.

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Apartment Complexes

The table below lists the location of the 2,730 Apartment Units, the number and type of units in each complex, the range of rents and vacancies as of February 1, 2019, the principal amount outstanding under any mortgages as of December 31, 2018, 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, 2018 (1) | Maturity Date of Mortgage |
|---|---|---|---|---|---|
| Boylston Downtown L.P. | 269 units | | 5 | $ 38,303,055 | 2028 |
| 62 Boylston Street | 0 three bedroom | N/A | | 3.97 % | |
| Boston, MA | 0 two bedroom | N/A | | | |
| | 53 one bedroom | $ 2,150 – 3,040 | | | |
| | 216 studios | $ 1,410 – 2,500 | | | |
| Brookside Associates, LLC | 44 units | | 1 | $ 2,449,146 | 2020 |
| 5–7–10–12 Totman Road | 0 three bedroom | N/A | | 5.81 % | |
| Woburn, MA | 34 two bedroom | $ 1,600 – 1,850 | | | |
| | 10 one bedroom | $ 1,375 – 1,600 | | | |
| | 0 studios | N/A | | | |
| Clovelly Apartments L.P. | 103 units | | 1 | $ 4,160,000 | 2023 |
| 160–170 Concord Street | 0 three bedroom | N/A | | 5.62 % | |
| Nashua, NH | 53 two bedroom | $ 1,125 – 1,500 | | | |
| | 50 one bedroom | $ 975 – 1,350 | | | |
| | 0 studios | N/A | | | |
| Commonwealth 1137 L.P. | 35 units | | — | $ 3,750,000 | 2023 |
| 1131–1137 Commonwealth Ave. | 29 three bedroom | $ 2,775 – 3,375 | | 5.65 % | |
| Allston, MA | 4 two bedroom | $ 2,275 – 2,575 | | | |
| | 1 one bedroom | $ 1,125 – 1,125 | | | |
| | 1 studio | $ 1,425 – 1,425 | | | |
| Commonwealth 1144 L.P. | 261 units | | 4 | $ 14,780,000 | 2023 |
| 1144–1160 Commonwealth Ave. | 0 three bedroom | N/A | | 5.61 % | |
| Allston, MA | 11 two bedroom | $ 1,100 – 2,150 | | | |
| | 109 one bedroom | $ 1,266 – 1,975 | | | |
| | 141 studios | $ 950 – 1,725 | | | |
| Nera Dean Street Associates, LLC | 69 units | | 2 | $ 5,687,000 | 2024 |
| 38–48 Dean Street | 0 three bedroom | N/A | | 4.22 % | |
| Norwood, MA | 66 two bedroom | $ 1,465 – 2,154 | | | |
| | 3 one bedroom | $ 1,450 – 1,545 | | | |
| | 0 studios | N/A | | | |
| Executive Apartments L.P. | 72 units | | 1 | $ 2,415,000 | 2023 |
| 545–561 Worcester Road | 1 three bedroom | $ 2,000 – 2,000 | | 5.59 % | |
| Framingham, MA | 47 two bedroom | $ 1,425 – 1,800 | | | |
| | 24 one bedroom | $ 1,350 – 1,500 | | | |
| | 0 studios | N/A | | | |
| Hamilton Battle Green LLC | 48 units | | 1 | $ 4,358,279 | 2026 |
| 34–42 Worthen Road | 0 three bedroom | N/A | | 4.95 % | |

| | | | | | |
|---|---|---|---|---|---|
| Lexington, MA | 24 two bedroom | $ 2,250 – 2,650 | | | |
| | 24 one bedroom | $ 1,700 – 2,175 | | | |
| | 0 studios | N/A | | | |
| Hamilton Green Apartments LLC | 193 units | | 9 | $ 35,910,042 | 2029 |
| 311–319 Lowell Street | 10 three bedroom | $ 1,016 – 2,925 | | 4.67 % | |
| Andover, MA | 168 two bedroom | $ 888 – 3,800 | | | |
| | 15 one bedroom | $ 816 – 2,025 | | | |
| | 0 studios | N/A | | | |
| Hamilton Highlands | 79 units | | 5 | $ 20,829,315 | 2026 |
| 755-757 Highland Avenue | 1 three bedroom | $ 3,300 – 3,300 | | 4.25 % | |
| Needham, MA | 75 two bedroom | $ 1,709 – 3,056 | | | |
| | 2 one bedroom | $ 2,000 – 2,100 | | | |
| | 1 studio | $ 1,700 – 1,700 | | | |
| Hamilton Oaks Associates, LLC | 268 units | | 4 | $ 11,925,000 | 2023 |
| 30–50 Oak Street Extension | 0 three bedroom | N/A | | 5.59 % | |
| 40–60 Reservoir Street | 96 two bedroom | $ 1,100 – 2,207 | | | |
| Brockton, MA | 159 one bedroom | $ 1,050 – 2,340 | | | |
| | 13 studios | $ 940 – 1,285 | | | |

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| Apartment Complex | Number and Type of Units | Rent Range | Vacancies | Mortgage Balance and Interest Rate As of December 31, 2018 (1) | Matu Date Mort |
|---|---|---|---|---|---|
| Highland Street Apartments L.P. | 36 units | | — | $ 1,050,000 | 2023 |
| 38–40 Highland Street | 0 three bedroom | N/A | | 5.59 % | |
| Lowell, MA | 24 two bedroom | $ 1,035 – 1,400 | | | |
| | 10 one bedroom | $ 1,050 – 1,300 | | | |
| | 2 studios | $ 1,100 – 1,150 | | | |
| Linhart L.P. | 9 units | | 1 | $ | |
| 4–34 Lincoln Street | 0 three bedroom | N/A | | — % | |
| Newton, MA | 0 two bedroom | N/A | | | |
| | 5 one bedroom | $ 1,350 – 1,600 | | | |
| | 4 studios | $ 1,165 – 1,275 | | | |
| North Beacon 140 L.P. | 65 units | | — | $ 6,937,000 | 2023 |
| 140–154 North Beacon Street | 10 three bedroom | $ 2,850 – 3,150 | | 5.59 % | |
| Brighton, MA | 54 two bedroom | $ 2,050 – 2,675 | | | |
| | 1 one bedroom | $ 1,875 – 1,875 | | | |
| | 0 studios | N/A | | | |
| Olde English Apartments L.P. | 84 units | | 1 | $ 3,080,000 | 2023 |
| 703–718 Chelmsford Street | 0 three bedroom | N/A | | 5.63 % | |
| Lowell, MA | 47 two bedroom | $ 1,300 – 1,575 | | | |
| | 30 one bedroom | $ 1,090 – 1,575 | | | |
| | 7 studios | $ 1,125 – 1,500 | | | |
| Redwood Hills L.P. | 180 units | | 3 | $ 6,743,000 | 2023 |
| 376-382 Sunderland road | 0 three bedroom | N/A | | 5.59 % | |
| Worcester, MA | 89 two bedroom | $ 1,295 – 1,525 | | | |
| | 91 one bedroom | $ 1,075 – 1,250 | | | |
| | 0 studios | N/A | | | |
| Residences at Captain Parkers LLC | 94 units | | 5 | $ 20,071,000 | 2026 |
| 125 Worthen Road and Ryder Lane | 8 three bedroom | $ 2,900 – 3,350 | | 4.36 % | |
| Lexington, MA | 48 two bedroom | $ 2,200 – 2,850 | | | |
| | 38 one bedroom | $ 1,900 – 2,500 | | | |
| | 0 studios | N/A | | | |
| River Drive L.P. | 72 units | | 1 | $ 3,465,000 | 2023 |
| 3–17 River Drive | 0 three bedroom | N/A | | 5.62 % | |
| Danvers, MA | 60 two bedroom | $ 1,475 – 1,800 | | | |
| | 5 one bedroom | $ 1,225 – 1,650 | | | |
| | 7 studios | $ 1,200 – 1,450 | | | |
| School Street 9, LLC | 184 units | | 1 | $ 14,264,674 | 2023 |
| 9 School Street | 0 three bedroom | N/A | | 3.78 % | |
| Framingham, MA | 96 two bedroom | $ 1,500 – 1,875 | | | |
| | 88 one bedroom | $ 1,215 – 1,550 | | | |
| | 0 studios | N/A | | | |
| WCB Associates, LLC | 180 units | | 5 | $ 7,000,000 | 2023 |
| 10–70 Westland Street | 1 three bedroom | $ 1,510 – 1,510 | | 5.66 % | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 985–997 Pleasant Street | 94 two bedroom | $ 1,055 – 1,640 | | | | |
| Brockton, MA | 85 one bedroom | $ 1,155 – 1,605 | | | | |
| | 0 studios | N/A | | | | |
| Westgate Apartments, LLC | 220 units | | 1 | $ 15,700,000 | | 2023 |
| 2–20 Westgate Drive | 0 three bedroom | N/A | | 4.65 | % | |
| Woburn, MA | 110 two bedroom | $ 1,675 – 2,000 | | | | |
| | 110 one bedroom | $ 1,450 – 1,800 | | | | |
| | 0 studios | N/A | | | | |
| Westgate Apartments Burlington, LLC | 20 units | | — | $ 2,500,000 | | 2024 |
| 105–107 Westgate Drive | 0 three bedroom | N/A | | 4.31 | % | |
| Burlington, MA | 12 two bedroom | $ 2,000 – 2,450 | | | | |
| | 8 one bedroom | $ 1,750 – 1,950 | | | | |
| | 0 studios | N/A | | | | |
| Woodland Park Partners,, LLC | 126 units | | 6 | $ 22,250,000 | | 2027 |
| 264-290 Grove Street | 0 three bedroom | N/A | | 3.79 | % | |
| Newton, MA | 80 two bedroom | $ 1,850 – 2,250 | | | | |
| | 30 one bedroom | $ 1,700 – 1,950 | | | | |
| | 16 studios | $ 1,375 – 1,625 | | | | |

(1) The mortgage balance is stated before unamortized deferred financing costs.

Current free rent concessions would result in an average reduction in unit rents of less than $9.16 per month per unit. Free rent expense amortized in 2018 was approximately $300,000 compared to approximately $224,000 in 2017.

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On March 29, 2018, Hamilton Highlands, LLC a wholly-owned subsidiary of New England Realty Associates Limited Partnership (the "Partnership"), purchased Webster Green Apartments, a 79 unit apartment complex located at 755-757 Highland Avenue, Needham, Massachusetts. The sale was consummated pursuant to the terms of a Purchase and Sale Contract by and between Webster Green Apartments, LLC, the prior owner of the Property, and The Hamilton Companies, Inc., an affiliate of the Partnership, which agreement was subsequently assigned by Hamilton to Hamilton Highlands.

In connection with the purchase, the Hamilton Highlands entered into an Assumption and Modification Agreement dated as of March 29, 2018 with Brookline Bank pursuant to which the Hamilton Highlands assumed a note dated as of January 14, 2016 in the principal amount of $21,500,000 and various agreements relating to the Note including a Mortgage, Assignment of Leases and Rents, Security Agreement, Fixture Filing dated as of January 14, 2016. The purchase price was $34,500,000, consisting of a payment of approximately $13,000,000 in cash and the assumption of the note and mortgage. Hamilton Highlands funded $5,000,000 of the cash portion of the purchase price out of cash reserves and the remaining $8,000,000 by drawing on an existing line of credit. The closing costs were approximately $141,000. From the purchase price, the Partnership allocated approximately $502,000 for in- place leases, and approximately $40,000 to the value of tenant relationships. These amounts are being amortized over 12 and 24 months respectively.

On July 6, 2017, Woodland Park Partners, LLC, a newly formed subsidiary of the Partnership, purchased the Woodland Park Apartments, a 126-unit apartment complex located at 264-290 Grove Street, Newton, Massachusetts , for a purchase price of $45,600,000. The closing costs were approximately $64,000.To fund the purchase price, the Partnership borrowed $25,000,000 under its outstanding line of credit with KeyBank, NA, and $16,000,000 from HBC Holdings, LLC, a Massachusetts limited liability company controlled by Harold Brown. The loan from HBC Holdings was to mature on July 16, 2018, with interest only at 4.75%. The balance of the purchase price was funded by the Partnership's cash reserves. From the purchase price, the Partnership allocated approximately $541,000 for in-place leases, and approximately $42,000 to the value of tenant relationships. These amounts are being amortized over 12 and 24 months respectively.

On September 29, 2017, Woodland Park Partners LLC, entered into a Multifamily Loan and Security Agreement with KeyBank National Association . The manager of Woodland Park is NewReal, Inc. ("New Real"), the general partner of New England Realty Associates Limited Partnership (the "Partnership"). The Partnership is the sole member of Woodland Park. The Loan Agreement provides for a term loan in the principal amount of $22,250,000. The Loan is due on October 1, 2027 , unless the due date is accelerated in accordance with the Loan's terms, with interest only through October 1, 2022. Borrowings under the Loan will bear interest at the rate of 3.79%. The proceeds of the loan were used to pay off the loan from HBC Holdings, LLC and pay down the line of credit.

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.

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 1, 2019.

| Condominiums | Number and Type of Units Owned by Partnership | Rent Range | Vacancies | Mortgage Balance and Interest Rate As of December 31, 2018 | Maturity Date of Mortgage |
|---|---|---|---|---|---|
| Riverside Apartments | 19 units | | — | — | — |
| 8–20 Riverside Street | 0 three bedroom | N/A | | | |
| Watertown, MA | 12 two bedroom | $ 1,850 – 1,950 | | | |
| | 5 one bedroom | $ 1,650 – 1,900 | | | |
| | 2 studios | $ 1,450 – 1,650 | | | |

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 1, 2019, the commercial space was fully occupied, and the average rent per square foot was $26.59. 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 1, 2019, the commercial space was fully occupied, and the average rent per square foot was $14.50. The Partnership also rents roof space for a cellular phone antenna at an average rent of approximately $42,000 per year through November 2020. 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 21,548 square feet of rentable commercial space. As of February 1, 2019, the commercial space was fully occupied, and the average rent per square foot was $25.48.

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 1, 2019, and the average rent per square foot as of that date was $37.50 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 38,695 square feet of rentable commercial space. On March 12, 2018, the loan for 659 Worcester Road was refinanced with Brookline Bank in the amount of $6,083,684. The loan is due on March 12, 2023. Interest only until March 12, 2021. Commencing in April, 2021, monthly payments of principal and interest in the amount of $32,427 will be made based on an assumed amortization period of thirty (30) years. The loan bears a fixed annual rate equal to 4.87%. The proceeds of the new loan were used to pay off the existing loan. The closing costs were approximately $69,000. As of February 1, 2019 Staples Plaza was fully occupied, and the average net rent per square foot was $24.02.

HAMILTON LINEWT ASSOCIATES, LLC. In 2007, the Partnership acquired a retail block in Newton, Massachusetts. The property consists of 5,850 square feet of rentable commercial space. The property was fully rented as of February 1, 2019 at an average rent of $35.63 per square foot

HAMILTON CYPRESS LLC. In 2008, the Partnership acquired a medical office building in Brookline, Massachusetts. The property consists of 17,607 square feet of rentable commercial space. As of February 1, 2019, 1,360 square feet of space is vacant, with 92% of the property occupied at an average rent of $37.36 per square foot.

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The following information is provided for commercial leases:

| Through December 31, | Annual base rent for expiring leases | Total square feet for expiring leases | Total number of leases expiring | Percentage of annual base rent for expiring leases | |
|---|---|---|---|---|---|
| 2019 | $ 459,408 | 22,120 | 11 | 16 | % |
| 2020 | 232,198 | 5,959 | 8 | 8 | % |
| 2021 | 835,995 | 40,586 | 7 | 29 | % |
| 2022 | 554,214 | 14,355 | 7 | 19 | % |
| 2023 | 444,280 | 13,591 | 6 | 15 | % |
| 2024 | 230,439 | 6,222 | 5 | 8 | % |
| 2025 | — | | — | 0 | % |
| 2026 | — | — | — | 0 | % |
| 2027 | — | — | — | 0 | % |
| 2028 | — | — | — | 0 | % |
| 2029 | 142,450 | 3,850 | 1 | 5 | % |
| 2030 | — | — | — | 0 | % |
| Totals | $ 2,898,984 | 106,683 | 45 | 100 | % |

Commercial rental income is accounted for using the straight line method. Approximately 55 percent of our commercial leases contain rent escalations which range from $0.25– $1.00 per square foot per year.

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, 2018 (1) | | Maturity Date of Mortgage |
|---|---|---|---|---|---|---|
| 345 Franklin, LLC | 40 Units | | 2 | $ 9,552,513 | | 2028 |
| 345 Franklin Street | 0 three bedroom | N/A | | 3.87 | % | |
| Cambridge, MA | 39 two bedroom | $ 2,875 – 3,500 | | | | |
| | 1 one bedroom | $ 2,850 – 2,850 | | | | |
| | 0 studios | N/A | | | | |
| Hamilton on Main Apartments, LLC | 148 Units | | 8 | $ 16,900,000 | | 2024 |
| 223 Main Street | 0 three bedroom | N/A | | 4.34 | % | |
| Watertown, MA | 93 two bedroom | $ 1,625 – 2,350 | | | | |
| | 31 one bedroom | $ 1,500 – 2,100 | | | | |
| | 24 studios | $ 1,450 – 1,850 | | | | |
| Hamilton Minuteman, LLC | 42 Units | | — | $ 6,000,000 | | 2031 |
| 1 April Lane | 0 three bedroom | N/A | | 3.71 | % | |
| Lexington, MA | 40 two bedroom | $ 1,725 – 2,400 | | | | |
| | 2 one bedroom | $ 2,100 – 2,100 | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | 0 studios | N/A | | | | |
| Hamilton Essex 81 LLC | 49 Units | | — | $ 10,000,000 | | 2025 |
| Residential | 0 three bedroom | N/A | | 4.53 | % | |
| 81–83 Essex Street | 11 two bedroom | $ 2,750 – 2,950 | | | | |
| Boston, Massachusetts | 38 one bedroom | $ 1,925 – 2,825 | | | | |
| | 0 studios | N/A | | | | |
| Hamilton Essex Development LLC | Parking Lot | | | | | |
| Commercial | | | | | | |
| 81–83 Essex Street | | | | | | |
| Boston, Massachusetts | | | | | | |

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| Investment Properties | Number and Type of Units | Range | Vacancies | Mortgage Balance and Interest Rate As of December 31, 2018 (1) | Maturity Date of Mortgage |
|---|---|---|---|---|---|
| Hamilton 1025, LLC (A) | 2 Units | | — | | |
| Units to be retained | 0 three bedroom | N/A | | | |
| 1025 Hancock Street | 0 two bedroom | N/A | | | |
| Quincy, Massachusetts | 2 one bedroom | $ 1,500 – 1,580 | | | |
| | 0 studios | N/A | | | |
| Hamilton Bay Apartments, LLC (A) | 1 Units | | — | | |
| 165–185 Quincy Shore Drive | 0 three bedroom | N/A | | | |
| Quincy, Massachusetts | 0 two bedroom | N/A | | | |
| | 1 one bedroom | $ 1,525 – 1,740 | | | |
| | 0 studios | N/A | | | |
| The Partnership has a 40% ownership interest in the property summarized below: | | | | | |
| Hamilton Park Towers, LLC | 409 Units | | 5 | $ 125,000,000 | 2028 |
| 175–185 Freeman Street, | 71 three bedroom | $ 2,350 – 4,850 | | 3.99 % | |
| Brookline, | 227 two bedroom | $ 2,250 – 4,300 | | | |
| Massachusetts | 111 one bedroom | $ 2,080 – 2,850 | | | |
| | 0 studios | | | | |

Current free rent concessions would result in an average reduction in unit rents of $28.86 per month per unit. Free rent amortized in 2018 was approximately $240,000, compared to $254,000 in 2017.

(A) Represents unsold units at February 1, 2019.
(1) The mortgage balance is stated before unamortized deferred financing costs.

345 FRANKLIN, LLC. In November 2001, the Partnership invested approximately $1,533,000 for a 50% ownership interest in a 40 unit apartment building in Cambridge, Massachusetts. In June 2013, the property was refinanced with a 15 year mortgage in the amount of $10,000,000 at 3.87%, interest only for 3 years and is amortized on a 30 year schedule for the balance of the term. The Partnership paid off the prior mortgage of approximately $6,776,000 with the proceeds of the new mortgage. After the refinancing, the property made a distribution of $1,610,000 to the Partnership. As a result of the distribution, the carrying value of the investment fell below zero. The Partnership will continue to account for this investment using the equity method of accounting. Although the Partnership has no legal obligation, the Partnership intends to fund its share of any future operating deficits if needed. At December 31, 2018, the balance of this mortgage before unamortized deferred financing costs is approximately $9,553,000. This investment is referred to as 345 Franklin, LLC.

HAMILTON ON MAIN, 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. The Partnership sold 137 units as condominiums. The assets were combined with Hamilton on Main Apartments. Hamilton on Main, LLC is known as Hamilton Place. In 2005, Hamilton on Main Apartments, LLC obtained a ten year mortgage on the three buildings to be retained. The mortgage was $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 mortgage were approximately $16,700,000, which were used to reduce the existing mortgage. In August 2014, the property was refinanced with a 10 year mortgage in the amount of $16,900,000 at 4.34% interest only. The Joint Venture Partnership paid off the prior mortgage of approximately $15,205,000 with the proceeds of the new mortgage and distributed $850,000 to the Partnership. The costs associated with the refinancing were approximately $161,000. At December 31, 2018, the balance of this mortgage before unamortized deferred financing costs is approximately $16,900,000. This investment is referred to as Hamilton on Main, LLC. In 2018, the carrying value of the investment fell below zero. The Partnership will continue to account for this investment using the equity method of accounting, although the Partnership has no legal obligation to fund its share of any future operating deficiencies, if needed.

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HAMILTON MINUTEMAN, 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 was 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 loan required a cash contribution by the Partnership of $1,250,000 in December 2006. On September 12, 2016, the property was refinanced with a 15 year mortgage in the amount of $6,000,000, at 3.71%, interest only. The Joint Venture Partnership paid off the prior mortgage of approximately $5,158,000 with the proceeds of the new mortgage and made a distribution of $385,000 to the Partnership. The cost associated with the refinancing was approximately $123,000. This investment is referred to as Hamilton Minuteman, LLC. At December 31, 2018, the balance on this mortgage before unamortized deferred financing costs is approximately $6,000,000. This investment is referred to as Hamilton Minuteman, LLC. In 2018, the carrying value of the investment fell below zero. The Partnership will continue to account for this investment using the equity method of accounting, although the Partnership has no legal obligation to fund its share of any future operating deficiencies, if needed.

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 sold 127 of the units as condominiums and retained 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 was 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. On July 8, 2016, Hamilton 1025 LLC paid off the outstanding balance of the mortgage balance. The Partnership made a capital contribution of $2,359,500 to Hamilton 1025, LLC for its share of the funds required for the transaction. As of December 31, 2018, 1 unit was under purchase and sales agreement and the Partnership owned 2 units. 16 units were sold in the year ended December 31,2018, resulting in a gain of approximately $1,973,000. 20 units were sold in the year ended December 31, 2017 with a gain on the sales of approximately $2,380,000. This investment is referred to as Hamilton 1025, LLC.

HAMILTON ESSEX 81, LLC. On March 7, 2005, the Partnership invested $2,000,000 for a 50% ownership interest in a building comprising 48 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 planned 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 and commercial space 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. On September 28, 2015, Hamilton Essex Development, LLC paid off the outstanding mortgage balance of $1,952,286. The Partnership made a capital contribution of $978,193 to Hamilton Essex Development LLC for its share of the funds required for the transaction. Additionally, the Partnership made a capital contribution of $100,000 to Hamilton Essex 81, LLC. On September 30, 2015, Hamilton Essex 81, LLC obtained a new 10 year mortgage in the amount of $10,000,000, interest only at 2.18% plus the one month Libor rate. The proceeds of the note were used to pay off the existing mortgage of $8,040,719 and the Partnership received a distribution of $978,193 for its share of the excess proceeds. As a result of the distribution, the carrying value of the investment fell below zero. The Partnership will continue to account for this investment using the equity method of accounting. Although the Partnership has no legal obligation, the Partnership intends to fund its share of any future operating deficits if needed. 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. At December 31, 2018, the balance on this mortgage before unamortized deferred financing costs is approximately $10,000,000.

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. The Joint Venture sold 120 units as condominiums and retained 48 units for long term investment. In February 2007, the Joint Venture refinanced the 48 units with a new 10 year mortgage in the amount of $4,750,000 with an interest rate of 5.57%, interest only for five years. The loan is amortized over 30 years thereafter and matures in March 2017. On March 1, 2017, the mortgage balance was paid in full, with the Partnership contributing its share of the mortgage balance of

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approximately $2,222,000. During the 12 months ended December 31,2018,16 units were sold, resulting in a gain of approximately $2,438,000. As of December 31, 2017, 29 units were sold with a gain on the sales of approximately $3,628,000. As of December 31, 2018 an additional 2 units are under purchase and sales agreements, and the Partnership still owns 3 units. This investment is referred to as Hamilton Bay Apartments, LLC.

During 2017, Hamilton Bay LLC, a Joint Venture, sold one unit for a gain of approximately $133,000. As of December 31,2017, all units have been sold by this Joint Venture.

HAMILTON PARK TOWERS, LLC. On October 28, 2009 the Partnership invested approximately $15,925,000 in a joint venture to acquire a 40% interest in a residential property located in Brookline, Massachusetts. The property, Hamilton Park Towers LLC, referred to as Dexter Park, is a 409 unit residential complex. The purchase price was $129,500,000. In order to fund this investment, the Partnership used approximately $8,757,000 of its cash reserves and borrowed approximately $7,168,000 with an interest rate of 6% from HBC Holdings, LLC, an entity owned by Harold Brown and his affiliates ("HBC"). The term of the loan was four years with a provision requiring payment in whole or in part upon demand by HBC with six months' notice. The loan was paid in full in April 2012. The total mortgage was $89,914,000 with an interest rate of 5.57% and was to mature in 2019.

On May 31, 2018, Hamilton Park, entered into a Mortgage Note with John Hancock Life Insurance Company (U.S.A.) in the principal amount of $125,000,000. Interest only payments on the Note are payable on a monthly basis at a fixed interest rate of 3.99% per annum, and the principal amount of the Note is due and payable on June 1, 2028. The Note is secured by a mortgage on the Dexter Park apartment complex located at 175 Freeman Street, Brookline, Massachusetts pursuant to a Mortgage, Assignment of Leases and Rents and Security Agreement dated May 31, 2018. The Note is guaranteed by the Partnership and HBC Holdings, LLC pursuant to a Guaranty Agreement dated May 31, 2018.

Hamilton Park used the proceeds of the loan to pay off an outstanding loan of approximately $82,000,000 and distributed approximately $41,200,000 to its' owners. The Partnership's share of the distribution was approximately $16,500,000. As a result of the distribution, the carrying value of the investment fell below zero. The Partnership will continue to account for the investment using the equity method of accounting, although the Partnership has no legal obligation to fund its' share of any future operating deficiencies as needed. In connection with this refinancing, the property incurred a defeasance charge of approximately $3,830,000. Based on its' ownership in the property, the Partnership incurred 40% of this charge, an expense of approximately $1,532,000. This charge had a material effect on the 2018 net income.

At December 31, 2018, the balance on this mortgage before unamortized deferred financing costs is approximately $125,000,000.This investment, Hamilton Park Towers, LLC is referred to as Dexter Park.

## ITEM 3. LEGAL PROCEEDINGS

The Partnership, the Subsidiary Partnerships, and the Investment Properties 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 properties 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.  MINE SAFETY DISCLOSURE

Not applicable.

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## PART II

## 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 Depositary Agent, for 30 Depositary Receipts ("Receipts"). The Receipts are listed and publicly traded on the NYSE MKT Exchange under the symbol "NEN." There has never been an established trading market for the Class B Units or General Partnership Units.

Effective January 3, 2012, the Partnership authorized a 3 for 1 forward split of its Depositary Receipts listed on the NYSE MKT and a concurrent adjustment of the exchange ratio of Depositary Receipts for Class A Units of the Partnership from 10 to 1 to 30 to 1, such that each Depositary Receipt represents one thirtieth (1/30) of a Class A Unit of the Partnership.

All references to Depositary Receipts in the report are reflective of the 3 for 1 forward split.

Distribution to Limited & General Partners were:

| | 2018 | 2017 |
|---|---|---|
| Class A—Limited Partners (80%) | $ 3,582,339 | $ 6,388,668 |
| Class B—Limited Partners (19%) | 850,805 | 1,517,309 |
| Class C—General Partner (1%) | 44,779 | 79,858 |
| Total | $ 4,477,923 | $ 7,985,835 |

On March 8, 2019, the closing price on the NYSE American for a Depositary Receipt was $61.20. There were 2,838,862 Depositary Receipts outstanding and 3,484 Units (representing 104,520 receipts) held by approximately 1,846 record holders.

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. The Partnership made distributions of $36.00 per unit ($1.20 per receipt) in 2018. The Partnership made distributions of $64.50 per Unit ($2.15 per Receipt) in 2017. The total distribution was $4,477,923 in 2018 and $7,985,835 in 2017. In January 2019, the Partnership declared a quarterly distribution of $9.60 per Unit ($0.32 per Receipt) payable on March 31, 2019.

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.

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 300,000 Depositary Receipts (each of which is one tenth of a Class A Unit). Over time, the General Partner has authorized increases in the equity repurchase program. On March 10, 2015, the General Partner authorized an increase in the Repurchase Program to 2,000,000 Depository Receipts and extended the Program for an additional five years from March 31, 2015 until March 31, 2020. The Repurchase Program requires 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. From August 20, 2007 through December 31, 2018, the Partnership has repurchased 1,365,306 Depositary Receipts at an average price of $27.14 per receipt (or $814.20 per underlying Class A Unit), 3,072 Class B Units and 162 General

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Partnership Units, both at an average price of $ 926.26 per Unit, totaling approximately $40,274,000 including brokerage fees paid by the Partnership.

Issuer Purchase of Equity Securities during the fourth quarter of 2018:

| Period | Average Price Paid | | Depositary Receipts Purchased as Part of Publicly Announced Plan | Remaining number of Depositary Receipts that may be purchased Under the Plan (as Amended) |
|---|---|---|---|---|
| October 1-31, 2018 | $ | — | — | 634,694 |
| November 1-30, 2018 | $ | — | — | 634,694 |
| December 1-31, 2018 | $ | — | — | 634,694 |
| Total | | | — | |

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

The Partnership does not have any securities authorized for issuance under any equity compensation plans that are subject to disclosure under Item 201(d) of regulation S-K.

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ITEM 6. SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA

| | Year Ended December 31, 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| INCOME STATEMENT INFORMATION(a) | | | | | |
| Revenues | $ 58,014,064 | $ 52,827,388 | $ 49,555,090 | $ 45,480,714 | $ 42,632,319 |
| Expenses | 43,095,692 | 38,682,422 | 36,295,140 | 32,597,960 | 31,545,752 |
| Income before other income (loss) | 14,918,372 | 14,144,966 | 13,259,950 | 12,882,754 | 11,086,567 |
| Other (Loss) | (10,749,282) | (7,207,035) | (8,309,098) | (9,110,189) | (10,061,717) |
| Net Income | $ 4,169,090 | $ 6,937,931 | $ 4,950,852 | $ 3,772,565 | $ 1,024,850 |
| Net income per Unit | $ 33.52 | $ 55.77 | $ 39.62 | $ 29.86 | $ 7.96 |
| Distributions to Partners per Unit | $ 36.00 | $ 64.50 | $ 54.00 | $ 30.00 | $ 30.00 |
| Net income per Depositary Receipt | $ 1.12 | $ 1.86 | $ 1.32 | $ 1.00 | $ 0.27 |
| Distributions to Partners per Depositary Receipt | $ 1.20 | $ 2.15 | $ 1.80 | $ 1.00 | $ 1.00 |
| BALANCE SHEET INFORMATION | | | | | |
| Real Estate, gross | 337,902,411 | 311,951,597 | 263,659,293 | 261,276,898 | 225,021,946 |
| Real Estate, net | 230,511,263 | 207,153,794 | 169,462,811 | 176,697,314 | 149,116,084 |
| Total Assets | 247,035,340 | 226,807,236 | 190,562,066 | 200,727,567 | 176,167,358 |
| Total Debt Outstanding | 254,370,843 | 250,221,258 | 212,709,080 | 194,500,820 | 194,461,825 |
| Partners' Capital | (35,624,010) | (35,315,177) | (34,224,726) | (30,810,953) | (27,367,782) |

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

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

| | Year Ended December 31, 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Residential | | | | | |
| Units | 2,730 | 2,651 | 2,525 | 2,525 | 2,431 |
| Vacancies | 57 | 46 | 34 | 41 | 53 |
| Vacancy rate | 2.1 % | 1.7 % | 1.4 % | 1.6 % | 2.2 % |
| Commercial | | | | | |
| Total square feet | 108,043 | 108,043 | 108,043 | 108,043 | 108,043 |
| Vacancy (in square feet) | 1,360 | — | — | — | — |
| Vacancy rate | 1.3 % | — % | — % | — % | — % |

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

(a) Certain reclassifications have been made to prior period amounts in order to conform to current period presentation.

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## 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 2019 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.
- Financing or refinancing of Partnership properties may not be available to the extent necessary or desirable, or may not be available on favorable terms.

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- 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 could have an adverse effect on the Partnership'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.

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. If available acquisitions do not meet the Partnership's investment criteria, the Partnership may purchase additional depositary receipts. The Partnership will consider refinancing existing properties if the Partnership's cash reserves are insufficient to repay existing mortgages or if the Partnership needs additional funds for future acquisitions.

On February 24, 2019, Harold Brown, the owner of 75% of the outstanding voting securities of NewReal Inc., the general partner, of New England Realty Associates Limited Partnership passed away. As a result, Mr. Brown's estate currently holds voting control over the NewReal shares.

Effective as of February 24, 2019, the Board of Directors of the Partnership's general partner, NewReal Inc., elected Jameson Brown as the Director, Treasurer and Chief Financial Officer of New Real to fill the vacancy created by the death of Harold Brown, who served as both the Treasurer and a director of NewReal.

During 2018, rents continued to increase with average increases of 3.6% for renewals and 4.6% for new leases. Early indications for 2019 are that rents will continue to increase and renewal rents are expected to be in the range of 3-4%. Some softening in the market is starting to show as rental commission increased to $460,000 in 2018 from $370,000 in 2017, an increase of $90,000 (24.3%). In the strongest of rental markets, tenants generally pay the commission expense and as the market cools more of the expense is shifted to the landlord. We will have to see if this is a onetime uptick in commission expense or the beginning of a trend.

For 2018, including purchases of Woodland Park and Hamilton Highlands, consolidated revenue increased by 9.8%, operating expenses increased by 11.4% and Income before Other Income (Expense) grew by 5.5%. Excluding the Woodland Park and Hamilton Highland acquisitions, same store revenue grew by 4.4%, operating expenses by 0.7% and Income before Other Income (Expense) grew by 13.7%. For the same reporting period, vacancy was 2.1% vs 1.7%. Excluding Depreciation and Amortization, same store revenues (excluding Woodland Park and Hamilton Highlands) grew by 4.4%, operating expenses by 3.4% and Net Operating Income by 5.3%. Management believes similar same store operating results will be achieved for 2019 and that the recent acquisition will result in higher performance.

The Joint Ventures of 1025 Hancock and Hamilton Bay made significant progress in 2018 towards the goal of completely selling out all residential condominium units. Each Joint Venture sold 16 units in 2018, 1025 Hancock has 2 remaining units and Hamilton Bay has 3 remaining units. It is now projected that the remaining units will be sold in the first and second quarters of 2019. The estimated profit to the Partnership for the sale of these units from 2014 through 2019 is approximately $6,800,000.

On July 31, 2014, the Partnership entered into an agreement for a $25,000,000 revolving line of credit. The term of the line is three years with a floating interest rate equal to a base rate of the greater of (a) the Prime Rate (b) the Federal Funds Rate plus one half of one percent per annum, or (c) the LIBOR Rate for a period of one month plus 1% per annum, plus an applicable margin of 2.5%. The agreement originally expired on July 31, 2017, and was subsequently extended until October 31, 2020. The costs associated with the line of credit extension were approximately $128,000. As of December 31, 2018, the credit line had an outstanding balance of $2,000,000. Subsequent to the end of the year, the Line of Credit was paid down in full.

On March 29, 2018, the Partnership, through a wholly-owned subsidiary, Hamilton Highlands, LLC, purchased Webster Green Apartments, a 79 unit apartment complex located at 755-757 Highland Avenue, Needham, Massachusetts. The purchase price of $34,500,000 was funded with $5,000,000 of cash, $8,000,000 drawn on the line of credit and the assumption of a $21,500,000 mortgage. Since acquiring the property, the Partnership has renovated the common areas, added energy efficient lighting to the hallways and parking areas and renovated two apartments. As part of the purchase contract, the seller was required to complete the construction of three new apartments and resurface the parking lot. These projects were completed during the third quarter. These projects will enhance the curb appeal of the property and lead to additional revenue growth.

On May 31, 2018, the Investment Property, Hamilton Park Towers (Hamilton Park) was refinanced for $125,000,000 with a 10 year term, interest only at a 3.99% fixed interest rate. Hamilton Park used the proceeds from the refinancing to pay off the existing mortgage of approximately $82,000,000 and distributed approximately $41,200,000 to its member owners. The Partnership's share of the distribution was approximately $16,500,000.

The proceeds from the refinancing of Hamilton Park were used to pay down the Partnership's existing Line of Credit from $25,000,000 to $5,000,000. In October, the Partnership used excess cash reserves to pay down the balance by and additional $3,000,000. As of December 31, 2018, the balance on the line of credit was $2,000,000.

In association with this refinancing, there was a defeasance cost of approximately $3,830,000. Based on its 40% ownership in the property, the Partnership incurred an expense of approximately $1,532,000, which is accounted for in income from investments in unconsolidated joint ventures. The cash flow requirements of the new loan is approximately the same as that of the prior loan.

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On July 6, 2017, Woodland Park Partners, LLC, a newly formed subsidiary of the Partnership, purchased the Woodland Park Apartments, a 126-unit apartment complex located at 264-290 Grove Street, Newton, Massachusetts , for a purchase price of $45,600,000. The closing costs were approximately $64,000. From the purchase price, the Partnership allocated approximately $541,000 for in-place leases, and approximately $42,000 to the value of tenant relationships. These amounts are amortized over 12 and 24 months respectively. To fund the purchase price, the Partnership borrowed $25,000,000 under its line of credit with KeyBank, NA, and $16,000,000 from HBC Holdings, LLC, a Massachusetts limited liability company controlled by Harold Brown. The loan from HBC Holdings will mature on July 16, 2018, with interest only at 4.75%.The balance of the purchase price was funded by the Partnership's cash reserves.

On September 29, 2017, Woodland Park Partners LLC, ( “Woodland Park”), entered into a Multifamily Loan and Security Agreement with KeyBank National Association .. The loan agreement provides for a term loan in the principal amount of $22,250,000. The Loan is due on October 1, 2027 , unless the due date is accelerated in accordance with the Loan's terms, with interest only through October 1, 2022. Borrowings under the Loan will bear interest at the rate of 3.79%. The proceeds of the loan was used to pay off the loan from HBC Holdings, LLC and pay down the line of credit by $8,000,000.

In January, 2016, the Partnership obtained a mortgage loan on the property at Captain Parker and used the proceeds of the loan and cash reserves to paydown the line of credit to zero. The loan agreement provides for a term loan in the principal amount of $20,071,000. The loan is due on February 1, 2026 , unless the due date is accelerated in accordance with the loan's terms. Borrowings under the loan will bear interest at rates equal to (i) the one month LIBOR rate for United States Dollar Deposits, determined monthly, plus 201 basis points. The interest rate increases upon an event of default.

In March of 2015, the Board of Advisors and Board of Directors unanimously approved an extension of the Repurchase Program from 2015 to 2020 and increased the depositary receipt buy back allocation from 1.5 million to 2 million receipts. Management believes that the $25,000,000 line of credit, net cash flow from operations and cash on hand have put the Partnership in position to capitalize on investment opportunities should they reveal themselves in the near future. Management will continue to repurchase shares per its trading plan. As always, Management continues to weigh investment alternatives of stock repurchase, new property acquisitions and dispositions when considering its cash balances and performance of the portfolio.

The Stock Repurchase Program that was initiated in 2007 has purchased 1,365,306 Depositary Receipts through December 31, 2018, or approximately 32% of the outstanding Class A Depositary Receipts. The Partnership has not purchased any Depositary Receipts in 2018.

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 45% 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 up to 4% of rental receipts for administrative and management services (the “Management Fee”). The Partnership pays Hamilton the full annual Management Fee, in monthly installments.

At March 8, 2019, the Estate of Harold Brown and his brother Ronald Brown collectively own approximately 26% of the Depositary Receipts representing the Partnership Class A Units (including Depositary Receipts held by trusts for the benefit of such persons' family members). The Estate of Harold Brown also controls 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 Jameson Brown is NewReal's Treasurer and a director. The 75% of the issued and outstanding Class B units of the Partnership, controlled by the Estate of Harold Brown, are owned by HBC Holdings LLC, an entity of which he is the manager.

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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.

Residential tenants sign a one year lease. In 2018, tenant renewals were approximately 64% with an average rental increase of approximately 3.6 %, new leases accounted for approximately 36% with rental rate increases of approximately 4.6%. In 2018, leasing commissions were approximately $460,000 compared to approximately $370,000 in 2017, an increase of approximately $90,000 (24.3%) from 2017. Tenant concessions were approximately $54,000 in 2018 compared to approximately $41,000 in 2017, an increase of approximately $13,000 (31.7%). Tenant improvements were approximately $2,846,000 in 2018 compared to approximately $2,657,000 in 2017, an increase of approximately $189,000 (7.1%).

Hamilton accounted for approximately 4.7% of the repair and maintenance expense paid for by the Partnership in the year ended December 31, 2018 and 3.5% in the year ended December 31, 2017. 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. Several of the larger Partnership properties have their own maintenance staff. 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 74.0% and 82.3% of the legal services paid for by the Partnership during the years ended December 31, 2018 and 2017, respectively.

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

The Partnership requires that three bids be obtained for construction contracts in excess of $15,000. 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 2018, Hamilton provided the Partnership approximately $564,000 in construction and architectural services, compared to $227,000 for the year ended December 31, 2017.

Bookkeeping and accounting functions have been provided by Hamilton's accounting staff, which consists of approximately 14 people. In 2018, Hamilton charged the Partnership $125,000 per year ($31,250 per quarter) for bookkeeping and accounting services. 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. Concessions made on residential leases are also accounted for on the straight line basis.

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. The Partnership generally considers assets to be held for sale when the transaction has received appropriate corporate authority, and there are no significant contingencies relating to the sale. If, in management's opinion, the estimated net sales price, net of selling costs, of the assets which have been identified as held for sale is less than the carrying value of the assets, a valuation allowance is established.

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 value 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.

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. Upon acquisition of rental property, the Partnership estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities assumed, generally consisting of the fair value of (i) above and below market leases, (ii) in place leases and (iii) tenant relationships. The Partnership allocated the purchase price to the assets acquired and liabilities assumed based on their fair values. The Partnership records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed exceed the purchase consideration of a transaction. In estimating the fair value of the tangible and intangible assets acquired, the Partnership considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

Intangible assets acquired include amounts for in place lease values above and below market leases and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Partnership's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in place lease values include an estimate of carrying costs during hypothetical expected lease up periods considering current market conditions, and costs to execute similar leases at market rates during the expected lease up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Partnership's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships.

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.

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Impairment: On an annual basis management assesses whether there are any indicators that the value of the Partnership'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 Partnership'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.

Investments in Joint Ventures: The Partnership accounts for its 40% 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 Joint Ventures, 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. Generally, the Partnership would discontinue applying the equity method when the investment (and any advances) is reduced to zero and would not provide for additional losses unless the Partnership has guaranteed obligations of the venture or is otherwise committed to providing further financial support for the investee. If the venture subsequently generates income, the Partnership only recognizes its share of such income to the extent it exceeds its share of previously unrecognized losses.

The authoritative guidance on consolidation provides guidance on the identification of entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and the determination of which business enterprise, if any, should consolidate the VIE (the "primary beneficiary"). Generally, the consideration of whether an entity is a VIE applies when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (2) the equity investment at risk is insufficient to finance that equity's activities without additional subordinated financial support or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity's performance; and (2) the obligation to absorb losses and rights to receive the returns from VIE that would be significant to the VIE.

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, 2018 and December 31, 2017

The Partnership and its Subsidiary Partnerships earned income before interest expense, income from investments in unconsolidated joint ventures and other income and loss of approximately $14,145,0000 during the year

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ended December 31, 2018, compared to approximately $13,260,000 for the year ended December 31, 2017, an increase of approximately $773,000 (5.5%).

The rental activity is summarized as follows:

| | Occupancy Date | | | |
|---|---|---|---|---|
| | February 1, 2019 | | February 1, 2018 | |
| Residential | | | | |
| Units | 2,730 | | 2,651 | |
| Vacancies | 57 | | 46 | |
| Vacancy rate | 2.1 | % | 1.7 | % |
| Commercial | | | | |
| Total square feet | 108,043 | | 108,043 | |
| Vacancy | 1,360 | | — | |
| Vacancy rate | 1.3 | % | 0.0 | % |

| | Rental Income (in thousands) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | | | | | |
| | 2018 | | | | 2017 | | | |
| | Total Operations | | Continuing Operations | | Total Operations | | Continuing Operations | |
| Total rents | $ 57,536 | | $ 57,536 | | $ 52,370 | | $ 52,370 | |
| Residential percentage | 94 | % | 94 | % | 93 | % | 93 | % |
| Commercial percentage | 6 | % | 6 | % | 7 | % | 7 | % |
| Contingent rentals | $ 784 | | $ 784 | | $ 642 | | $ 642 | |

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017:

| | Year Ended December 31, | | Dollar | Percent |
|---|---|---|---|---|
| | 2018 | 2017 | Change | Change |
| Revenues | | | | |
| Rental income | $ 57,535,734 | $ 52,370,221 | $ 5,165,513 | 9.9% |
| Laundry and sundry income | 478,330 | 457,167 | 21,163 | 4.6% |
| | 58,014,064 | 52,827,388 | 5,186,676 | 9.8% |
| Expenses | | | | |
| Administrative | 2,204,923 | 2,008,107 | 196,816 | 9.8% |
| Depreciation and amortization | 15,568,973 | 13,462,395 | 2,106,578 | 15.6% |
| Management fee | 2,326,225 | 2,159,458 | 166,767 | 7.7% |
| Operating | 5,542,605 | 5,227,502 | 315,103 | 6.0% |
| Renting | 779,503 | 632,232 | 147,271 | 23.3% |
| Repairs and maintenance | 9,187,714 | 8,378,639 | 809,075 | 9.7% |
| Taxes and insurance | 7,485,749 | 6,814,089 | 671,660 | 9.9% |
| | 43,095,692 | 38,682,422 | 4,413,270 | 11.4% |
| Income Before Other Income (Expense) | 14,918,372 | 14,144,966 | 773,406 | 5.5% |

| | | | | |
|---|---|---|---|---|
| Other Income (Expense) | | | | |
| Interest income | 344 | 1,284 | (940) | -73.2% |
| Interest expense | (12,389,680) | (11,114,146) | (1,275,534) | 11.5% |
| Income from investments in unconsolidated joint ventures | 1,640,054 | 3,905,827 | (2,265,773) | -58.0% |
| | (10,749,282) | (7,207,035) | (3,542,247) | 49.1% |
| Net Income | $ 4,169,090 | $ 6,937,931 | $ (2,768,841) | -39.9% |

Rental income from continuing operations for the year ended December 31, 2018 was approximately $57,536,000, compared to approximately $52,370,000 for the year ended December 31, 2017, an increase of approximately $5,166,000 (9.9%). The factors that can be attributed to this increase are as follows: the acquisition of

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Hamilton Highland in 2018 and Woodland Park in 2017 resulted in an increase in rental income of approximately $2,916,000. In addition, rental income has increased at a number of properties due to increased demand and increases in rental rates of approximately 4.4%. The Partnership Properties with the most significant increases in rental income include 62 Boylston Street , 1144 Commonwealth Street, Hamilton Oaks, Westgate Apartments, 9 School Street Associates, and Westside Colonial with increases of approximately $288,000, $220,000, $198,000, $141,000, $128,000 and $122,000 respectively. Included in rental income is contingent rentals collected on commercial properties. Contingent rentals include such charges as bill backs of common area maintenance charges, real estate taxes, and utility charges.

Total expenses from continuing operations for the year ended December 31, 2018 were approximately $43,095,000 compared to approximately $38,682,000 for the year ended December 31, 2017, an increase of approximately $4,413,000 (11.4%). Excluding the increase in operating expenses attributable to the acquisition of Hamilton Highland and Woodland Park of approximately $4,163,000, operating expenses increased approximately $251,000 (0.7%). Excluding Hamilton Highland and Woodland Park, factors which contributed to the increase were an increase in repairs and maintenance expense of approximately $434,000 (5.3%), an increase in taxes and insurance expense of approximately $202,000 (3.0%), partially offset by a decrease in depreciation and amortization expense of approximately $595,000 (4.9%).

Interest expense for the year ended December 31, 2018 was approximately $12,390,000 compared to approximately $11,114,000 for the year ended December 31, 2017, an increase of approximately $1,276,000 (11.5%). Excluding the increase in interest expense attributable to Hamilton Highland and Woodland Park of approximately $1,113,000, there was an increase in interest expense of approximately $163,000, (1.5%).

At December 31, 2017, the Partnership has between a 40% and 50% ownership interests 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 income from the Investment Properties was approximately $1,640,000 for the year ended December 31, 2018, compared to a net income of approximately $3,906,000 for the year ended December 31, 2017, a decrease in income of approximately $2,266,000 (58.0%). This decrease is primarily due to a defeasance charge of approximately $3,830,000 incurred in connection with the refinancing of the property known as Dexter Park, and a gain on the sale of real estate of approximately $4,411,000 on the sale of 16 units at Hamilton Bay Apartments LLC, and 16 units at Hamilton 1025 LLC, compared to a gain of approximately $6,141,000 on the sale of 29 units at Hamilton Bay Apartments, 20 units at Hamilton 1025 LLC, and 1 unit at Hamilton Bay LLC for the twelve months ended December 31, 2017. Included in the income for the year ended December 31, 2018 is depreciation and amortization expense of approximately $2,558,000. The proportional loss for the year ended December 31, 2018 from the investment in Dexter Park is approximately $819,000.

Interest income for the year ended December 31, 2018 was approximately $300 compared to approximately $1,300 for the year ended December 31, 2017, a decrease of approximately $1000.

As a result of the changes discussed above, net income for the year ended December 31, 2018 was approximately $4,169,000 compared to income of approximately $6,938,000 for the year ended December 31, 2017, a decrease in income of approximately $2,769,000 (39.9%).

Years Ended December 31, 2017 and December 31, 2016

The Partnership and its Subsidiary Partnerships earned income before interest expense, income from investments in unconsolidated joint ventures and other income and loss of approximately $14,145,000 during the year ended December 31, 2017, compared to approximately $13,260,000 for the year ended December 31, 2016, an increase of approximately $885,000 (6.7%).

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The rental activity is summarized as follows:

| | Occupancy Date February 1, 2018 | February 1, 2017 |
|---|---|---|
| Residential | | |
| Units | 2,651 | 2,525 |
| Vacancies | 46 | 34 |
| Vacancy rate | 1.7 % | 1.4 % |
| Commercial | | |
| Total square feet | 108,043 | 108,043 |
| Vacancy | — | — |
| Vacancy rate | 0.0 % | 0.0 % |

| | Rental Income (in thousands) Year Ended December 31, 2017 Total Operations | Continuing Operations | 2016 Total Operations | Continuing Operations |
|---|---|---|---|---|
| Total rents | $ 52,370 | $ 52,370 | $ 49,122 | $ 49,122 |
| Residential percentage | 93 % | 93 % | 93 % | 93 % |
| Commercial percentage | 7 % | 7 % | 7 % | 7 % |
| Contingent rentals | $ 642 | $ 642 | $ 616 | $ 616 |

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016:

| | Year Ended December 31, 2017 | 2016 | Dollar Change | Percent Change |
|---|---|---|---|---|
| Revenues | | | | |
| Rental income | $ 52,370,221 | $ 49,121,705 | $ 3,248,516 | 6.6% |
| Laundry and sundry income | 457,167 | 433,385 | 23,782 | 5.5% |
| | 52,827,388 | 49,555,090 | 3,272,298 | 6.6% |
| Expenses | | | | |
| Administrative | 2,008,107 | 2,102,812 | (94,705) | (4.5%) |
| Depreciation and amortization | 13,462,395 | 12,181,396 | 1,280,999 | 10.5% |
| Management fee | 2,159,458 | 2,029,171 | 130,287 | 6.4% |
| Operating | 5,227,502 | 4,822,921 | 404,581 | 8.4% |
| Renting | 632,232 | 636,803 | (4,571) | -0.7% |
| Repairs and maintenance | 8,378,639 | 8,258,263 | 120,376 | 1.5% |
| Taxes and insurance | 6,814,089 | 6,263,774 | 550,315 | 8.8% |
| | 38,682,422 | 36,295,140 | 2,387,282 | 6.6% |
| Income Before Other Income ( Expense) | 14,144,966 | 13,259,950 | 885,016 | 6.7% |
| Other Income (Expense) | | | | |
| Interest income | 1,284 | 1,025 | 259 | 25.3% |
| Interest (expense) | (11,114,146) | (10,200,393) | (913,753) | 9.0% |
| Income (Loss) from investments in unconsolidated joint ventures | 3,905,827 | 1,785,827 | 2,120,000 | 118.7% |

| | | | | |
|---|---|---|---|---|
| Gain on sale of real estate | — | 104,443 | (104,443) | — |
| | (7,207,035) | (8,309,098) | 1,102,063 | (13.3%) |
| Net Income | $ 6,937,931 | $ 4,950,852 | $ 1,987,079 | 40.1% |

Including the new purchase of Woodland Park, rental income from continuing operations for the year ended December 31, 2017 was approximately $52,370,000, compared to approximately $49,122,000 for the year ended December 31, 2016, an increase of approximately $3,249,000 (6.6%). The factors that can be attributed to this increase are as follows: the acquisition of Woodland Park resulted in an increase in rental income of approximately $1,270,000.

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In addition, rental income has increased at a number of properties due to increased demand and increases in rental rates of approximately 3.9%. The Partnership Properties with the most significant increases in rental income include 1144 Commonwealth Street, Hamilton Oaks, Westgate Apartments, 62 Boylston Street, School Street 9 Associates, and Westside Colonial with increases of approximately $274,000, $241,000, $222,000, $186,000, $183,000 and $145,000 respectively. Included in rental income is contingent rentals collected on commercial properties. Contingent rentals include such charges as bill backs of common area maintenance charges, real estate taxes, and utility charges.

Total expenses from continuing operations for the year ended December 31, 2017 were approximately $38,682,000 compared to approximately $36,295,000 for the year ended December 31, 2016, an increase of approximately $2,387,000 (6.6%). Excluding the increase in operating expenses attributable to the acquisition of Woodland Park of approximately $1,809,000, operating expenses increased approximately $578,000 (1.6%). Excluding Woodland Park, factors which contributed to the increase in operating expenses were an increase in real estate taxes and insurance of approximately $410,000 (6.6%), due primarily to an increase in real estate taxes, an increase in operating expenses of approximately $313,000 (6.5%) primarily due to an increase in utility costs, partially offset by a decrease in administrative costs of approximately $133,000 (6.3%), primarily due to a decrease in administrative service fees.

Interest expense for the year ended December 31, 2017 was approximately $11,114,000 compared to approximately $10,200,000 for the year ended December 31, 2016, an increase of approximately $914,000 (9.0%). Excluding the increase in interest expense attributable to Woodland Park of approximately $406,000, there was an increase in interest expense of approximately $508,000, primarily due to an increase of approximately $486,000 in the utilization of the line of credit, and an increase of approximately $128,000 for the interest on the mortgage for Captain Parker, partially offset by a decrease in interest expense on several mortgages due to the paydown of principal during 2017.

At December 31, 2017, the Partnership has between a 40% and 50% ownership interests 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 income from the Investment Properties was approximately $3,906,000 for the year ended December 31, 2017, compared to a net income of approximately $1,786,000 for the year ended December 31, 2016, an increase in income of approximately $2,120,000 (118.7%). This increase is primarily due to a gain on the sale of real estate of approximately $6,141,000 on the sale of 29 units at Hamilton Bay Apartments LLC, 20 units at Hamilton 1025 LLC, and 1 unit at Hamilton Bay LLC, compared to a net gain of approximately $1,661,000 on the sale of 10 units at Hamilton 1025 and 4 units at Hamilton Bay LLC in 2016. Included in the income for the year ended December 31, 2017 is depreciation and amortization expense of approximately $2,605,000. The allocable income for the year ended December 31, 2017 from the investment in Dexter Park is approximately $737,000.

Interest income for the year ended December 31, 2017 was approximately $1,300 compared to approximately $1,000 for the year ended December 31, 2016, an increase of approximately $300.

As a result of the changes discussed above, net income for the year ended December 31, 2017 was approximately $6,938,000 compared to income of approximately $4,951,000 for the year ended December 31, 2016, an increase in income of approximately $1,987,000 (40.1%).

## LIQUIDITY AND CAPITAL RESOURCES

The Partnership's principal source of cash during 2018 and 2017 was the collection of rents, the proceeds from the line of credit, and the refinancing proceeds from Hamilton Park Towers, LLC.. The majority of cash and cash equivalents of $9,059,901 at December 31, 2018 and $7,238,905 at December 31, 2017 were held in interest bearing accounts at creditworthy financial institutions.

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This increase in cash of $1,820,996 at December 31, 2018 is summarized as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Cash provided by operating activities* | $ 25,631,546 | $ 23,601,862 |
| Cash provided by (used in) investing activities* | (2,436,827) | (52,989,226) |
| Cash (used in) provided by financing activities | (16,895,800) | 37,190,955 |
| Repurchase of Depositary Receipts, Class B and General Partner Units | — | (42,548) |
| Distributions paid | (4,477,923) | (7,985,835) |
| Net increase (decrease) in cash and cash equivalents | $ 1,820,996 | $ (224,792) |

*Reclassed to comply with new FASB standard

The change in cash provided by operating activities is due to various factors, including a change in depreciation expense due to recent acquisitions, a change in income and distribution from joint ventures due to the defeasance charge for the refinancing at Dexter Park, and the sale of units, as well as other factors. The increase in cash provided by investing activities is primarily due to the distribution from Dexter Park, partially offset by the acquisition of Hamilton Highlands, and a contribution to a joint venture. The change in cash used in financing activities is primarily due to the pay down of the line of credit originally used for the purchase of Hamilton Highlands.

During 2018, the Partnership and its Subsidiary Partnerships completed improvements to certain of the Properties at a total cost of approximately $4,118,000. 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 Redwood Hills, 62 Boylston Street, Hamilton Oaks, Captain Parker, 9 School Street, and 1144 Commonwealth Apartments, at a cost of $704,000, $441,000, $415,000, $312,000, $295,000, and $262,000 respectively. The Partnership plans to invest approximately $3,500,000 in capital improvements in 2019.

On March 1, 2017, the mortgage on the property at Hamilton Bay Apartments, totaling $4,444,918, including both interest and principal, was paid off. The Partnership was required to contribute approximately $2,222,000 to the payment.

On July 6, 2017, Woodland Park Partners, LLC, a newly formed subsidiary of the Partnership, purchased the Woodland Park Apartments, a 126-unit apartment complex located at 264-290 Grove Street, Newton, Massachusetts, for a purchase price of $45,600,000.

To fund the purchase price, the Partnership borrowed $25,000,000 under its outstanding line of credit with KeyBank, NA, and $16,000,000 from HBC Holdings, LLC, a Massachusetts limited liability company controlled by Harold Brown. The loan from HBC Holdings matured on July 16, 2018, with interest only at 4.75%. The balance of the purchase price was funded by the Partnership's cash reserves. The Partnership paid off the loan of HBC Holdings on September 29, 2017, and the total interest paid on the loan was approximately $182,000.

On September 29, 2017, Woodland Park Partners LLC, , entered into a Multifamily Loan and Security Agreement with KeyBank National Association . The manager of Woodland Park is NewReal, Inc., the general partner of New England Realty Associates Limited Partnership . The Partnership is the sole member of Woodland Park. The Loan

Agreement provides for a term loan in the principal amount of $22,250,000. The Loan is due on October 1, 2027 , unless the due date is accelerated in accordance with the Loan's terms, with interest only through October 1, 2022. Borrowings under the Loan will bear interest at the rate of 3.79%.

On March 29, 2018, Hamilton Highlands, LLC, a wholly-owned subsidiary of New England Realty Associates Limited Partnership, purchased Webster Green Apartments, a 79 unit apartment complex located at 755-757 Highland Avenue, Needham, Massachusetts. The sale was consummated pursuant to the terms of a Purchase and Sale Contract by and between Webster Green Apartments, LLC, the prior owner of the Property, and The Hamilton Companies, Inc., an affiliate of the Partnership, which agreement was subsequently assigned by Hamilton to the Purchaser. In connection with the purchase, Hamilton Highlands entered into an Assumption and Modification Agreement dated as of March 29,

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2018 with Brookline Bank pursuant to which Hamilton Highlands assumed a note dated as of January 14, 2016 in the principal amount of $21,500,000 and various agreements relating to the note including a Mortgage, Assignment of Leases and Rents, Security Agreement, Fixture Filing dated as of January 14, 2016. The purchase price was $34,500,000, consisting of a payment of approximately $13,000,000 in cash and the assumption of the note and mortgage. Hamilton Highlands funded $5,000,000 of the cash portion of the purchase price out of cash reserves and the remaining $8,000,000 by drawing on an existing line of credit.

During the year ended December 31, 2018, the Partnership received distributions of approximately $23,530,000 from the investment properties of which $18,158,000 was from Dexter Park.

In 2018, the Partnership paid a total distribution of an aggregate $36.00 per Unit ($1.20 per Receipt) for a total payment of $4,477,923 in 2018. In 2017, the Partnership paid total distributions of an aggregate of $64.50 per Unit ($2.15 per Receipt) for a total payment of $7,985,835. In January 2019, the Partnership approved a quarterly distribution of $9.60 per Unit ($0.32 per Receipt), payable on March 31, 2019.

On July 31, 2014, the Partnership entered into an agreement for a $25,000,000 revolving line of credit.  The term of the line was for three years with a floating interest rate equal to a base rate of the greater of (a) the Prime Rate (b) the Federal Funds Rate plus one-half of one percent per annum, or (c) the LIBOR Rate for a period of one month plus 1% per annum, plus the  applicable margin of 2.5%.

The agreement originally expired on July 31, 2017, and was extended until October 31, 2020. The costs associated with the line of credit extension were approximately $128,000. The Partnership borrowed $25,000,000 to partially fund the purchase of Woodland Park. It paid down $8,000,000 through the financing of the property and its' cash reserve. As of December 31, 2017, the credit line had an outstanding balance of $17,000,000. An additional $8,000,000 was drawn for the purchase of Hamilton Highlands on March 29, 2018, resulting in a balance of $25,000,000 at March 31, 2018. With the proceeds of the distribution from Dexter Park, the Partnership paid down the Line of Credit by $16,000,000. The line was paid down by $4,000,000 in July, 2018.and $3,000,000 in October,2018. As of December 31, 2018, the credit line had an outstanding balance of $2,000,000. Subsequent to the end of the year, the line was paid down in full.

The Partnership anticipates that cash from operations and interest bearing accounts will be sufficient to fund its current operations, pay distributions, make required debt payments and to finance current improvements to its properties. The Partnership may also sell or refinance properties. The Partnership's net income and cash flow may fluctuate dramatically from year to year as a result of the sale or refinancing 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, 2018, the Partnership had a 40%  50% ownership interest in nine Joint Ventures, which all have mortgage indebtedness except Hancock 1025, Hamilton Bay Apartments and Hamilton Essex Development. We do not have control of these partnerships and therefore we account for them using the equity method of consolidation. At December 31, 2018, our proportionate share of the non  recourse debt before unamortized deferred financing costs related to these investments was approximately $71,226,000. See Note 14 to the Consolidated Financial Statements.

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Contractual Obligations

As of December 31, 2018, we are subject to contractual payment obligations as described in the table below.

| | Payments due by period | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | Total |
| Contractual Obligations | | | | | | | |
| Long -term debt Mortgage debt | $ 1,923,459 | $ 4,334,187 | $ 2,412,292 | $ 2,682,037 | $ 102,625,877 | $ 139,733,342 | $ 253,711,194 |
| Line of Credit | — | 2,000,000 | — | — | — | — | 2,000,000 |
| Total Contractual Obligations | $ 1,923,459 | $ 6,334,187 | $ 2,412,292 | $ 2,682,037 | $ 102,625,877 | $ 139,733,342 | $ 255,711,194 |

We have various standing or renewable service contracts with vendors related to our property management. In addition, we have certain other contracts we enter into in the ordinary course of business that may extend beyond one year. These contracts are not included as part of our contractual obligations because they include terms that provide for cancellation with insignificant or no cancellation penalties.

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

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates and equity prices. In pursuing its business plan, the primary market risk to which the Partnership is exposed is interest rate risk. Changes in the general level of interest rates prevailing in the financial markets may affect the spread between the Partnership’s yield on invested assets and cost of funds and, in turn, its ability to make distributions or payments to its investors.

As of December 31, 2018, the Partnership, its Subsidiary Partnerships and the Investment Properties collectively have approximately $423,164,000 in long-term debt, substantially all of which require payment of interest at fixed rates. Accordingly, the fair value of these debt instruments is affected by changes in market interest rates. This long term debt matures through 2029. Including the line of credit, the Partnership, its Subsidiary Partnerships and the Investment Properties collectively have variable rate debt of $52,900,000 as of December 31, 2018 ranged from LIBOR 195 basis points to LIBOR plus 350 basis points. Assuming interest- rate caps are not in effect, if market rates of interest on the Partnership’s variable rate debt increased or decreased by 100 basis points, then the increase or decrease in interest costs on the Partnership’s variable rate debt would be approximately $479,000 annually and the increase or decrease in fair value of the Partnership’s fixed rate debt as of December 31, 2018 would be approximately $11,000,000. For information regarding the fair value and maturity dates of these debt obligations,  See Note 5 to the Consolidated Financial Statements — “Mortgage Notes Payable,” Note 12 to the Consolidated Financial Statements — “Fair Value Measurements” and Note 14 to the Consolidated Financial Statements — “Investment in Unconsolidated Joint Ventures.”

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 36 of this Form 10 K and are indexed herein under Item 15(a)(1).

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## 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), 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 15 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 (2013)". 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, 2018.

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.

The effectiveness of the Partnership's internal control over financial reporting as of December 31, 2018 has been audited by Miller Wachman LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting during the fourth quarter of 2018 that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

On February 24, 2019, Harold Brown, the owner of 75% of the outstanding voting securities of NewReal Inc., the general partner, of New England Realty Associates Limited Partnership died. As a result, Mr. Brown's estate currently holds voting control over the NewReal shares.

Effective as of February 24, 2019, the Board of Directors of the Partnership's general partner, NewReal Inc. elected Jameson Brown as the Treasurer and Chief Financial Officer of New Real to fill the vacancy created by the death of Harold Brown, who served as both the Treasurer and a director of NewReal.

Jameson Brown, the son of Harold Brown, has been appointed to the Board of Directors of New Real, Inc. the General Partner of the Partnership. Jameson joined The Hamilton Company in 2009 after graduating from Tulane University with a Bachelor of Science in Management. Since joining the company, Jameson has worked in various departments, including Leasing, Maintenance, and Property Management, Development and Acquisitions. He is currently the Co-Chief Executive Officer and the Chief Operating Officer of Hamilton. Prior to joining the company,

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Jameson worked as a third party real estate agent in Boston.

In addition to his current role of Co-Chief Executive Officer and Chief Operating Officer of Hamilton, Jameson's responsibilities include the analysis of investment and development opportunities, negotiating acquisitions, handling due diligence, and representing the owner through the construction and development process. He also continues to hold direct property management responsibilities over several properties in the portfolio, while staying involved in companywide management and leasing decisions.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Our General Partner, New Real, Inc. is a Massachusetts corporation wholly owned by the Estate of Harold Brown and by Ronald Brown,. Harold Brown and his brother 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. was wholly owned by Harold Brown. See "Item 11. Executive Compensation" for information concerning fees paid by the Partnership to The Hamilton Company during 2018.

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, Jameson Brown, Guilliaem Aertsen, David Aloise, and Eunice Harps. The directors of the General Partner hold office until their successors are duly elected and qualified.

Ronald Brown and Jameson 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 July 1, 2014, the Audit Committee consisted of Guilliaem Aertsen, David Aloise, and Eunice Harps. Mr. Aertsen resigned from the Audit Committee in June, 2018, and currently holds the position of Chairman of the Board of Directors of The Hamilton Company, Inc. The Board of Directors of the General Partner has determined that David Aloise is an audit committee financial expert, as that term is defined in Item 407 of Securities and Exchange Commission Regulation S K.

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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) | 83 | Co General Partner since the Partnerships formation in 1977. Associate, Hamilton Realty Company (since 1967); President, Treasurer, Clerk and Director of R. Brown Partners Inc. (since 1985), a real estate management company; Member, Greater Boston Real Estate Board (since 1981); Director, Brookline Chamber of Commerce (since 1978); Trustee of Reservations (since 1988); Director, Brookline Music School (1997 2004); 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 (1996 2002); Director and Treasurer, Brookline Greenspace Alliance (since 1999). Mr. Brown is a graduate of Northeastern University earning a B.A. degree in Mechanical Engineering and an M.S. degree in Engineering Management. Based on Mr. Brown's ownership interest in the Partnership, ownership interest in the Partnership's General Partner, years of experience in the real estate industry and as a long standing member of the Board of Directors of the General Partner, the Board of Directors concluded that Mr. Brown has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors. |
| Jameson Brown, Treasurer and Director (since 2019) | 31 | Co-Chief Executive Officer and Chief Operating Officer, The Hamilton Company, Inc. Manager and developer of Residential and Commercial Real Estate.( Since 2018); Vice President, Acquisitions and Property Management, The Hamilton Company, Inc. (2016-2018);Vice President, Acquisitions and Development, The Hamilton Company, Inc. (2014-2016);Trustee, The Hamilton Company Charitable Foundation ( since 2011); Chairman, The Hamilton Company Charitable Foundation (2011-2016). Mr. Brown is a graduate of Tulane University, earning a B.A. degree in Management. Based on Mr. Brown's experience in the real estate industry, the Board of Directors concluded that Mr. Brown has the requisite experience, qualifications, capabilities and skills necessary to serve as a member of the Board of Directors. |
| Guilliaem Aertsen, IV, Director (since 2002) | 71 | Chairman of the Board of Directors of The Hamilton Company, Inc. ( since June, 2018). Chief Executive Officer, Aertsen Ventures LLC (since 1999) a private venture capital firm focused on early stage companies engaged in technology, real estate and distressed financial assets; Director and CFO of CineCast LLC (2000 2012); Member of Premier Capital LLC (since 2000); Chairman of the Board of Directors of the Massachusetts Housing Investment Corporation (since 1997) a partnership of corporate investors, housing sponsors and public agencies engaged in the financing of affordable housing and community development projects in Massachusetts and New England; Chairman of the Board of Trustees of the Old South Church (1992 2002); Executive Vice President and member of the senior management group of BankBoston Corporation (1996 1998); Executive and management assignments including corporate lending, real estate, capital markets, venture capital and asset management Bank Boston Corporation (1973 1998). Mr. Aertsen is a graduate of Harvard University. Based on Mr. Aertsen's familiarity with the Partnership as a member of the Board of Directors and as Chairman of the Audit Committee, his experience as a director with several other companies and his |

banking, management and financial expertise, the Board of Directors concluded that Mr. Aertsen has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

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| Name and Position | Age | Other Position |
|---|---|---|
| David Aloise, Director (since 2007) | 64 | Director and Chairman of the Partnership's Audit Committee. Founder and principal of Aloise & Associates, LLC (since 2000) a consulting firm that provides advisory, training and credit risk management services; BankBoston Corporation (1979 2000) Director of Commercial Loan Workout, Managing Director Small Business Banking, Vice President Restructured Real Estate, Vice President C & I Loan Workout; Board of Trustees New England Banking Institute; Advisory Board Member Wells Fargo Retail Finance, LLC; Senior Advisor to Eaton Vance Bank Loan Mutual Fund Group; Member of the Turnaround Management Association. Mr. Aloise is a graduate of Boston College and the National Commercial Lending Graduate School, University of Oklahoma. Based on Mr. Aloise's experience in banking, credit markets, small business management and business turnarounds, the Board of Directors concluded that Mr. Aloise has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors. |
| Eunice Harps, Director (since 2014) | 69 | Director and member of the Partnership's Audit Committee. Director of Credit Massachusetts Housing Investment Corporation (1999-2017) a private financier of affordable housing and community development throughout Massachusetts; BankBoston Corporation (1984 1998) Vice President Senior Manager, Capital Markets Credit, Vice President, Troubled Debt Restructuring Team; Steering Committee NEWIRE (1993 1995), Board of Directors Chair YW Boston; Board Member of Nuestra Comunidad Development Corporation (2015-2017). Ms. Harps is a graduate of Boston University earning a B.A. and M.B.A. degrees. Based on Ms. Harps' experience in banking, credit review and affordable housing, the Board of Directors concluded that Ms. Harps has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors. |

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 Partnership under Rule 16a 3(e) of the Securities Exchange Act during its most recent fiscal year, Forms 5 furnished to the Partnership with respect to its most recent fiscal year and any written representations received by the Partnership from persons required to file such forms, all of 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 — filed on a timely basis reports required by Section 16(a) of the Securities Exchange Act during the most recent fiscal year.

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 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.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee of NewReal Inc., which is the General Partner of New England Realty Associates Limited Partnership , is currently comprised of David Aloise, and Eunice Harps, each of whom is an independent director of NewReal. The Audit Committee operates under a written charter.

The Partnership's management, which consists of NERA's General Partner, is responsible for the preparation of the Partnership's financial statements and for maintaining an adequate system of internal controls and processes for that purpose. Miller Wachman LLP ("Miller Wachman") acts as the Partnership's independent auditor and is responsible for conducting an independent audit of the Partnership's annual financial statements and the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2018 in accordance with the standards of the Public Company Accounting Oversight Board (United States), and issuing a report on the results of their audit. The Audit Committee is responsible for providing independent, objective oversight of both of these processes.

The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2018 with management of the Partnership and with representatives of Miller Wachman. As a result of these discussions, the Audit Committee believes that NERA maintains an effective system of accounting controls that allow it to prepare financial statements that fairly present the Partnership's financial position and results of its operations. Discussions with Miller Wachman also included the matters required by Statement on Auditing Standard No. 16 (Communications with Audit Committee).

In addition, the Audit Committee reviewed the independence of Miller Wachman. We received written disclosures and a letter from Miller Wachman regarding its independence as required by Independent Standards Board Standards No. 1 and discussed this information with Miller Wachman.

Based on the foregoing, the Audit Committee has recommended that the audited financial statements of the Partnership for the year ended December 31, 2018 be included in the Partnership's annual report on form 10 K to be filed with the Securities and Exchange Commission.

David Aloise
Eunice Harps

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 2018. 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% (2% at Dexter Park and 3% at Linewt) 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

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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 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 2018 was approximately $2,326,000. 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 had engaged the former president of Hamilton as a consultant to provide asset management services to the Partnership, for which the Partnership paid $37,000 in 2018. The Partnership did not have a written agreement with this individual.

In 2018, the Partnership and its Subsidiary Partnerships paid administrative fees to Hamilton of approximately $1,380,000 inclusive of construction supervision and architectural fees of approximately $564,000, repairs and maintenance service fees of approximately $433,000, legal fees of approximately $224,000, brokerage fees of approximately $34,000 and $125,000 for accounting services. In addition, the Partnership paid $24,000 to Ronald Brown for construction supervision services.

Additionally, the Hamilton Company received approximately $1,263,000 from the 40 50% owned Investment Properties of which approximately $652,000 was the management fee, approximately $210,000 was for construction supervision and architectural fees, approximately $47,000 was for maintenance services, and $54,000 for legal services. The Advisory Committee held four meetings during 2018, and a total of $21,000 was paid for attendance and participation in such meetings. Additionally, the Audit Committee held four meetings in 2018 and a total of $14,000 was paid for attendance and participation in such meetings.

Compensation Committee Interlocks and Insider Participation

The Board of Directors of our General Partner does not have a compensation committee. No member of the Board of Directors of the General Partner was at any time in 2018 or at any other time an officer or employee of the General Partner, and no member had any relationship with the Partnership requiring disclosure as a related person transaction under Item 404 of Regulation S K. No officer of the General Partner has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of the Board of Directors of the General Partner at any time in 2018.

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

As of March 1, 2019, 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 March 1, 2019, pursuant to the Deposit Agreement, Computershare was serving as the record holder of the Class A Units with respect to which 2,840,678 Depositary Receipts had been issued to approximately 1,696 holders. As of March 1, 2019, there were issued and outstanding 3,430 Class A Units (not including the Depositary Receipts) held by 150 unit holders, 23,303 Class B Units and 1,226 General Partnership Units held by the persons listed below. During 2018, no Class A Units were exchanged for Depositary Receipts.

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The following table sets forth certain information regarding each class of Partnership Units beneficially owned as of December 31, 2018 by (i) each person known by the Partnership 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 | |
|---|---|---|---|---|---|---|
| ctors and Officers | 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 |
| old Brown New England ty Associates ted Partnership righton Avenue ton, MA 02134 | (1)(2) | (1)(2) | 17,728 (3) | 75 %(3) | (4) | 100 % |
| old Brown 2013 ocable Trust Saul Ewing LLP Dartmouth Street on, MA 02116 | (2) | (2) | — | — | — | — |
| C Holdings, LLC righton Avenue ton, MA 02134 | (1) | (1) | (3) | (3) | — | — |
| ald Brown New England ty Associates ted Partnership righton Avenue ton, MA 02134 | 2,982 (5) | 3.00 %(5) | 5,908 | 25 % | (4) | 100 % |
| liaem Aertsen West Brookline et on, MA 02118 | — | — | — | — | — | — |
| d Aloise Cottage Park Road hrop, MA 02152 | — | — | — | — | — | — |
| ce Harps lyoke Street #1 on, MA 02116 | — | — | — | — | — | — |
| Real, Inc. righton Avenue ton, MA 02134 | 333 | 0.33 % | — | — | 1,244 | 100 % |
| | 25,663 (6) | 25.79 %(6) | 23,636 (7) | 100 %(7) | (4) | 100 % |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| lirectors and ers as a group | | | | | | | | |
| Owners that are Directors and cers | | | | | | | | |
| Valeri 'dine Street ngton, MA 02476 | 6,748 | (8) | 6.78 | %(8) | — | — | — | — |
| old Brown 2009 rocable Trust righton Avenue on, MA 02134 | 9,583 | (9) | 7.70 | %(9) | — | — | — | — |

(1) As of December 31, 2018, 507,849 Depositary Receipts are held of record by the HBC Holdings, LLC (HBC). Harold Brown was the sole manager of HBC with sole voting and dispositive control over the Depositary Receipts. Accordingly, Mr. Brown was deemed to beneficially own the Depositary Receipts held by HBC. Because a Depositary Receipt represents beneficial ownership of one thirtieth of a Class A Unit, Harold Brown was deemed to beneficially own approximately 16,928 Class A Units (approximately 17.01% of the outstanding Class A Units).

(2) As of December 31, 2018, Harold Brown directly owned 162,600 Depositary Receipts beneficially owned by his spouse. Because a Depositary Receipt represents beneficial ownership of one thirtieth of a Class A Unit, Harold Brown was deemed to directly beneficially own approximately 5,420 Class A Units (approximately 5.45 % of the outstanding Class A Units).

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(3) Consists of Class B Units held by HBC Holdings, LLC. See Note (1) above. Harold Brown, as Manager, had voting and investment power over the Class B Units held by the LLC, subject to the provisions of the LLC, and thus may have been deemed to beneficially own the Class B Units held by the LLC.
(4) Since Harold Brown and Ronald Brown were the controlling stockholders, executive officers and directors of NewReal, Inc., they may have been deemed to beneficially own all of the General Partnership Units held of record by NewReal, Inc.
(5) Consists of 89,460 Depositary Receipts held of record jointly by Ronald Brown and his wife. Because a Depositary Receipt represents beneficial ownership of one thirtieth of a Class A Unit, Ronald Brown may be deemed to beneficially own approximately 2,982 Class A Units.
(6) Consists of the Class A Units described in Notes (1) and (2) above, plus New Real, Inc. and Ronald Brown, as indicated in the table.
(7) Includes the Class B Units described in Note (2) above.
(8) Consists of 202,445 Depositary Receipts held by Carl Valeri and his immediate family members. Because a Depositary Receipt represents beneficial ownership of one thirtieth of a Class A Unit, Carl Valeri may be deemed to beneficially own approximately 6,748 Class A Units.
(9) Consists of 287,500 Depositary Receipts held by the Harold Brown 2009 Irrevocable Trust. Harold Brown was not a beneficiary of the Trust and he did not have a pecuniary interest. Because a Depositary Receipt represents beneficial ownership of one thirtieth of a Class A Unit, the Trust may be deemed to beneficially own approximately 9,583 Class A Units.

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. The trading plan has been amended and restated several times, the most recent being on November 1, 2016. Mr. Brown amended and restated the Trading Plan extending the date through which Depositary Receipts may be purchased through October 31, 2020 for up to 600,000 Depositary Receipts at prices up to $76.00.

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

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

There are no family relationships among any of our directors. Mr. Aloise and Ms. Harps representing a majority of our directors are determined to be independent under the rules of the NYSE Amex Exchange and the SEC. The board holds regularly scheduled meetings.

The Partnership’s written policy with respect to the review and approval of related party transactions is governed by the Partnership Agreement which assigns the Advisory Committee with the responsibility to approve or reject all proposed acquisitions and investments with or from the General Partner or an Affiliate. Related Parties are identified by the Officers of the management company and material transactions are reported to and reviewed by the Audit Committee on a quarterly basis.

The Partnership invested approximately $34,049,000 in eight limited liability companies formed to acquire Investment Properties. The Partnership has a 40% 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 47.6% and 59% and five current and former employees of the management company own between 0% and 2.4% in each

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of the Investment Properties. See Note 14 of the consolidated financial statements for a description of the Investment Properties.

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, 2018 and has reported on the 2017 Consolidated Financial Statements. Aggregate fees rendered to Miller Wachman LLP for the years ended December 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|---|---|---|
| Audit Fees | | |
| Recurring annual audits and quarterly reviews | $ 306,000 | $ 304,000 |
| Subtotal | 306,000 | 304,000 |
| Other Audit Related Fees (a) | 25,000 | 26,200 |
| Tax Fees | | |
| Recurring tax compliance for the Partnership, 19 subsidiary Partnerships and 18 General Partnerships | 95,000 | 94,000 |
| Subtotal | 95,000 | 94,000 |
| Other Fees | — | — |
| Total Fees | $ 426,000 | $ 424,200 |

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 2018 and 2017 were pre approved pursuant to the procedures outlined above.

(a) Audit of revenues and certain expenses and review of proforma financial information of significant acquisition.

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, 2018 and 2017

Consolidated Statements of Income for the Years ended December 31, 2018, 2017 and 2016

Consolidated Statements of Changes in Partners' Capital for the Years ended December 31, 2018, 2017 and 2016

Consolidated Statements of Cash Flows for the Years ended December 31, 2018, 2017 and 2016

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Notes to Consolidated Financial Statements

2. Consolidated Financial Statement Schedules:

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.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of
New England Realty Associates Limited Partnership

### Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of New England Realty Associates Limited Partnership ("the Partnership") as of December 31, 2018 and 2017, and the related consolidated statements of income, changes in partners' capital and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively referred to as the financial statements). We also have audited the Partnership's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework (2013) issued by COSO.

### Basis for Opinion

The Partnership's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Partnership's consolidated financial statements and an opinion on the Partnership's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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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

We have served as the Company’s auditor since 1993

Boston, Massachusetts

March 13, 2019

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| | December 31, 2018 | 2017 |
|---|---|---|
| ASSETS | | |
| Rental Properties | $ 230,511,263 | $ 207,153,794 |
| Cash and Cash Equivalents | 9,059,901 | 7,238,905 |
| Rents Receivable | 762,923 | 592,045 |
| Real Estate Tax Escrows | 495,824 | 488,396 |
| Prepaid Expenses and Other Assets | 4,219,749 | 4,122,052 |
| Investments in Unconsolidated Joint Ventures | 1,985,680 | 7,212,044 |
| Total Assets | $ 247,035,340 | $ 226,807,236 |
| LIABILITIES AND PARTNERS' CAPITAL | | |
| Mortgage Notes Payable | $ 252,370,843 | $ 233,221,258 |
| Notes Payable | 2,000,000 | 17,000,000 |
| Distribution and Loss in Excess of Investment in Unconsolidated Joint Venture | 18,351,562 | 2,806,319 |
| Accounts Payable and Accrued Expenses | 3,927,889 | 3,340,509 |
| Advance Rental Payments and Security Deposits | 6,009,056 | 5,754,327 |
| Total Liabilities | 282,659,350 | 262,122,413 |
| Commitments and Contingent Liabilities (Notes 3 and 9) | — | — |
| Partners' Capital 124,386 and 124,386 units outstanding in 2018 and 2017 respectively | (35,624,010) | (35,315,177) |
| Total Liabilities and Partners' Capital | $ 247,035,340 | $ 226,807,236 |

See notes to consolidated financial statements

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

| | Year Ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|
| Revenues | | | |
| Rental income | $ 57,535,734 | $ 52,370,221 | $ 49,121,705 |
| Laundry and sundry income | 478,330 | 457,167 | 433,385 |
| | 58,014,064 | 52,827,388 | 49,555,090 |
| Expenses | | | |
| Administrative | 2,204,923 | 2,008,107 | 2,102,812 |
| Depreciation and amortization | 15,568,973 | 13,462,395 | 12,181,396 |
| Management fee | 2,326,225 | 2,159,458 | 2,029,171 |
| Operating | 5,542,605 | 5,227,502 | 4,822,921 |
| Renting | 779,503 | 632,232 | 636,803 |
| Repairs and maintenance | 9,187,714 | 8,378,639 | 8,258,263 |
| Taxes and insurance | 7,485,749 | 6,814,089 | 6,263,774 |
| | 43,095,692 | 38,682,422 | 36,295,140 |
| Income Before Other Income (Expense) | 14,918,372 | 14,144,966 | 13,259,950 |
| Other Income (Expense) | | | |
| Interest income | 344 | 1,284 | 1,025 |
| Interest expense | (12,389,680) | (11,114,146) | (10,200,393) |
| Income from investments in unconsolidated joint ventures | 1,640,054 | 3,905,827 | 1,785,827 |
| Gain on sale of real estate | — | — | 104,443 |
| | (10,749,282) | (7,207,035) | (8,309,098) |
| Net Income | $ 4,169,090 | $ 6,937,931 | $ 4,950,852 |
| | | | |
| Net Income per Unit | $ 33.52 | $ 55.77 | $ 39.62 |
| Weighted Average Number of Units Outstanding | 124,386 | 124,392 | 124,951 |

See notes to consolidated financial statements.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

| | Units | | | | | | Partner's Capital | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Limited | | General | | Treasury | | Limited | | General | |
| | Class A | Class B | Partnership | Subtotal | Units | Total | Class A | Class B | Partnership | Total |
| | 144,180 | 34,243 | 1,802 | 180,225 | 54,851 | 125,374 | $ (24,673,535) | (5,830,548) | (306,870) | $ (30,8 |
| on<br>s | — | — | — | — | | | (5,383,743) | (1,278,639) | (67,297) | (6,72 |
| | — | — | — | — | 965 | (965) | (1,311,328) | (307,436) | (16,181) | (1,63 |
| ne | — | — | — | — | | | 3,960,682 | 940,662 | 49,508 | 4,950 |
| | 144,180 | 34,243 | 1,802 | 180,225 | 55,816 | 124,409 | $ (27,407,924) | $ (6,475,961) | $ (340,840) | $ (34,2 |
| on<br>s | — | — | — | — | — | — | (6,388,668) | (1,517,309) | (79,858) | (7,98 |
| | — | — | — | — | 23 | (23) | (34,038) | (8,084) | (426) | (42,5 |
| ne | — | — | — | — | — | — | 5,550,345 | 1,318,207 | 69,379 | 6,937 |
| | 144,180 | 34,243 | 1,802 | 180,225 | 55,839 | 124,386 | $ (28,280,285) | $ (6,683,147) | $ (351,745) | $ (35,3 |
| on<br>s | — | — | — | — | — | — | (3,582,339) | (850,805) | (44,779) | (4,47 |
| | — | — | — | — | — | — | — | — | — | — |
| ne | — | — | — | — | — | — | 3,335,272 | 792,127 | 41,691 | 4,169 |
| | 144,180 | 34,243 | 1,802 | 180,225 | 55,839 | 124,386 | $ (28,527,352) | $ (6,741,825) | $ (354,833) | $ (35,6 |

See notes to consolidated financial statements.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Cash Flows from Operating Activities | | | |
| Net income | $ 4,169,090 | $ 6,937,931 | $ 4,950,852 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation and amortization | 15,568,973 | 13,462,395 | 12,181,396 |
| Amortization of deferred finance costs | 216,069 | 192,944 | 188,256 |
| (Income) from investments in joint ventures | (1,640,054) | (3,905,827) | (1,785,827) |
| Gain on sale of real estate | — | — | (104,443) |
| Change in operating assets and liabilities | | | |
| Proceeds from unconsolidated joint ventures | 7,517,432 | 7,463,750 | 3,515,100 |
| (Increase) in rents receivable | (170,878) | (24,418) | (133,883) |
| Increase (Decrease) in accounts payable and accrued expense | 587,379 | (400,368) | (588,672) |
| Decrease (Increase) in insurance recovery receivable | — | 329,493 | (355,286) |
| (Increase) in real estate tax escrow | (7,428) | (43,771) | (73,644) |
| (Increase) Decrease in prepaid expenses and other assets | (863,767) | (716,583) | 724,308 |
| Increase in advance rental payments and security deposits | 254,730 | 306,316 | 339,168 |
| Total Adjustments | 21,462,456 | 16,663,931 | 13,906,473 |
| Net cash provided by operating activities | 25,631,546 | 23,601,862 | 18,857,325 |
| Cash Flows From Investing Activities | | | |
| Distribution in excess of investment in unconsolidated joint ventures | 16,012,954 | 542,241 | 515,362 |
| (Investment) in unconsolidated joint ventures | (1,118,717) | (2,746,991) | (2,472,462) |
| Improvement of rental properties | (4,117,770) | (5,795,148) | (5,163,081) |
| Purchase of Rental Property | (13,213,294) | (44,989,328) | — |
| Net proceeds from the sale of real estate | — | — | 772,987 |
| Net cash (used in) provided by investing activities | (2,436,827) | (52,989,226) | (6,347,194) |
| Cash Flows from Financing Activities | | | |
| Payment of financing costs | (148,004) | (304,529) | (174,718) |
| Proceeds of mortgage notes payable | 83,684 | 22,250,000 | 20,071,000 |
| Proceeds of notes payable | — | 41,000,000 | — |
| Payment of note payable | (15,000,000) | (24,000,000) | (25,000,000) |
| Principal payments of mortgage notes payable | (1,831,480) | (1,754,516) | (1,876,278) |
| Stock buyback | — | (42,548) | (1,634,945) |
| Distributions to partners | (4,477,923) | (7,985,835) | (6,729,679) |
| Net cash (used in) provided by financing activities | (21,373,723) | 29,162,572 | (15,344,620) |
| Net (Decrease) in Cash and Cash Equivalents | 1,820,996 | (224,792) | (2,834,489) |
| Cash and Cash Equivalents, at beginning of period | 7,238,905 | 7,463,697 | 10,298,186 |
| Cash and Cash Equivalents, at end of period | $ 9,059,901 | $ 7,238,905 | $ 7,463,697 |

See notes to consolidated financial statements

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 27 properties which include 19 residential buildings; 4 mixed use residential, retail and office buildings; 3 commercial buildings and individual units at one condominium complex. These properties total 2,711 apartment units, 19 condominium units and 108,043 square feet of commercial space. Additionally, the Partnership also owns a 40-50% interest in 8 residential and mixed use properties consisting of 693 apartment units, 12,500 square feet of commercial space and a 50 car parking lot. The properties are located in Eastern Massachusetts and Southern New Hampshire.

Basis of Presentation: The financial statements have been prepared in conformity with GAAP. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates and assumptions are based on management's historical experience that are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgement. The Partnership's critical accounting policies are those which require assumptions to be made about matters that are highly uncertain. Different estimates could have a material effect on the Partnership's financial results. Judgements and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions and circumstances.

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 eight limited liability companies (the "Investment Properties" or "Joint Ventures") in which the Partnership has a 40 50% ownership interest. The consolidated group is referred to as the "Partnership". 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 using the equity method of accounting. 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. Generally, the Partnership would discontinue applying the equity method when the investment (and any advances) is reduced to zero and would not provide for additional losses unless the Partnership has guaranteed obligations of the venture or is otherwise committed to providing further financial support for the investee. If the investment subsequently generates income, the Partnership only recognizes its share of such income to the extent it exceeds its share of previously unrecognized losses. In 2013 and beyond, the carrying values of certain investments fell below zero. We intend to fund our share of the investments' future operating deficits should the need arise. However, we have no legal obligation to pay for any of the liabilities of such investments nor do we have any legal obligation to fund operating deficits. (See Note 14: Investment in Unconsolidated Joint Ventures.)

The authoritative guidance on consolidation provides guidance on the identification of entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and the determination of which business enterprise, if any, should consolidate the VIE (the "primary beneficiary"). Generally, the consideration of whether an entity is a VIE applies when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (2) the equity investment at risk is insufficient to finance that equity's activities without additional subordinated financial support or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity's performance; and (2) the obligation to absorb losses and rights to receive the returns from VIE that would be significant to the VIE.

Impairment: On an annual basis management assesses whether there are any indicators that the value of the Partnership's rental properties or investments in unconsolidated subsidiaries may be impaired. In addition to identifying any specific circumstances which may affect a property or properties, management considers other criteria for determining which properties may require assessment for potential impairment. The criteria considered by management include reviewing low leased percentages, significant near term lease expirations, recently acquired properties, current and historical operating and/or cash flow losses, near term mortgage debt maturities or other factors that might impact the Partnership's intent and ability to hold property. 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 Partnership'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.

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. Contingent rent for commercial properties are received from tenants for certain costs as provided in the lease agreement. The costs generally include real estate taxes, utilities, insurance, common area maintenance and recoverable costs. Rental concessions are also accounted for on the straight line basis.

Above market and below market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the differences between (i) the contractual amounts to be paid pursuant to each in place lease and (ii) management's estimate of fair market lease rates for each corresponding in place lease, measured over a period equal to the remaining term of the lease for above market leases and the initial term plus the term of any below market fixed rate renewal options for below market leases. The capitalized above market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and the capitalized below market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below market fixed rate renewal options of the respective leases.

Rental Properties: Rental properties are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred; improvements and additions which improve or extend the life of the assets 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. Upon acquisition of rental property, the Partnership estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities assumed, generally consisting of the fair value of (i) above and below market leases, (ii) in place leases and (iii) tenant relationships. The Partnership allocates the purchase price to the assets acquired and liabilities assumed based on their fair values. The Partnership records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

assumed exceed the purchase consideration of a transaction. In estimating the fair value of the tangible and intangible assets acquired, the Partnership considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

Other intangible assets acquired include amounts for in place lease values and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Partnership's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in place lease values include an estimate of carrying costs during hypothetical expected lease up periods considering current market conditions, and costs to execute similar leases at market rates during the expected lease up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Partnership's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships.

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.

Leasing Fees: 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.

Deferred Financing Costs: Costs incurred in obtaining financing are capitalized and amortized over the term of the related indebtedness. Deferred financing costs are presented in the balance sheet as a direct deduction from the carrying value of the debt liability to which they relate, except deferred financing costs related to the revolving credit facility, which are presented in prepaid expenses and other assets. In all cases, amortization of such costs is included in interest expense and was approximately $216,000, $193,000 and $188,000 for the years ended December 31, 2018, 2017 and 2016 respectively.

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 have been recorded (See Note 13).

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 2018, 2017, or 2016 other than net income as reported.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

Income (Loss) Per Depositary Receipt: Effective January 3, 2012, the Partnership authorized a 3 for 1 forward split of its Depositary Receipts listed on the NYSE Amex and a concurrent adjustment of the exchange ratio of Depositary Receipts for Class A Units of the Partnership from 10-to-1 to 30-to-1, such that each Depositary Receipt represents one thirtieth (1/30) of a Class A Unit of the Partnership. All references to Depositary Receipts in the report are reflective of the 3 for 1 forward split.

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 2018, 2017, or 2016. The Partnership makes its temporary cash investments with high credit quality financial institutions. At December 31, 2018, substantially all of the Partnership's cash and cash equivalents were held in interest bearing accounts at financial institutions, earning interest at rates from 0.01% to 1.61%. At December 31, 2018 and 2017, respectively approximately $10,784,000 and $8,898,000 of cash and cash equivalents, and security deposits included in prepaid expenses and other assets exceeded federally insured amounts.

Advertising Expense: Advertising is expensed as incurred. Advertising expense was $226,523, $201,040 and $191,815 in 2018, 2017 and 2016, respectively.

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. The Partnership generally considers assets to be held for sale when the transaction has received appropriate corporate authority, and there are no significant contingencies relating to the sale. If, in management's opinion, the estimated net sales price, net of selling costs, of the assets which have been identified as held for sale is less than the carrying value of the assets, a valuation allowance is established.

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 value 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 Partnership 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 years ended December 31, 2018, 2017 and 2016 there was no capitalized interest.

Extinguishment of Debt: When existing mortgages are refinanced with the same lender and it is determined that the refinancing is substantially different then they are recorded as an extinguishment of debt. However if it is determined that the refinancing is substantially the same then they are recorded as an exchange of debt. All refinancing qualify as extinguishment of debt.

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

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

NOTE 2. RENTAL PROPERTIES

As of December 31, 2018, the Partnership and its Subsidiary Partnerships owned 2,711 residential apartment units in 23 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, 2018, the Partnership and Subsidiary Partnerships owned a commercial shopping center in Framingham, commercial buildings in Newton and Brookline 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 40% to 50% ownership interest in eight residential and mixed use complexes (the "Investment Properties") at December 31, 2018 with a total of 693 units, accounted for using the equity method of consolidation. See Note 14 for summary information on these investments.

Rental properties consist of the following:

| | December 31, 2018 | December 31, 2017 | Useful Life |
|---|---|---|---|
| Land, improvements and parking lots | $ 72,547,547 | $ 65,087,214 | 15 - 40 years |
| Buildings and improvements | 221,697,939 | 201,844,565 | 15 - 40 years |
| Kitchen cabinets | 12,134,519 | 12,338,627 | 5 - 10 years |
| Carpets | 7,591,591 | 8,802,831 | 5 - 10 years |
| Air conditioning | 603,149 | 641,079 | 5 - 10 years |
| Laundry equipment | 327,643 | 263,275 | 5 - 7 years |
| Elevators | 1,839,590 | 1,139,296 | 20 - 40 years |
| Swimming pools | 444,629 | 444,629 | 10 - 30 years |
| Equipment | 12,919,389 | 11,163,864 | 5 - 30 years |
| Motor vehicles | 216,260 | 216,260 | 5 years |
| Fences | 38,213 | 37,465 | 5 - 15 years |
| Furniture and fixtures | 7,013,845 | 9,390,021 | 5 - 7 years |
| Smoke alarms | 528,097 | 582,471 | 5 - 7 years |
| Total fixed assets | 337,902,411 | 311,951,597 | |
| Less: Accumulated depreciation | (107,391,148) | (104,797,803) | |
| | $ 230,511,263 | $ 207,153,794 | |

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

| Property Name<br>Type<br>Location | Encumbrances<br>(First<br>Mortgages) | Initial Cost to<br>Partnerships(1)<br>Land | Buildings<br>Improvements | Cost<br>Capital<br>Subseq<br>Acquis<br>Improv |
|---|---|---|---|---|
| Boylston Downtown L.P. Residential Apartments<br>Boston, Massachusetts | $ 38,303,055 | $ 2,112,000 | $ 8,593,109 | $ 9,09 |
| Brookside Associates LLC Residential Apartments<br>Woburn, Massachusetts | $ 2,449,146 | $ 684,000 | $ 3,116,000 | $ 432, |
| Clovelly Apartments L.P. Residential Apartments<br>Nashua, New Hampshire | $ 4,160,000 | $ 177,610 | $ 1,478,359 | $ 1,64 |
| Commonwealth 1137 L.P. Residential Apartments<br>Boston, Massachusetts | $ 3,750,000 | $ 342,000 | $ 1,367,669 | $ 1,15 |
| Commonwealth 1144 L.P. Residential Apartments<br>Boston, Massachusetts | $ 14,780,000 | $ 1,410,000 | $ 5,664,816 | $ 4,01 |
| Executive Apartments L.P. Residential Apartments<br>Framingham, Massachusetts | $ 2,415,000 | $ 91,400 | $ 740,360 | $ 1,36 |
| Hamilton Battle Green LLC Residential Apartments<br>Lexington, Massachusetts | $ 4,358,279 | $ 1,341,737 | $ 8,457,497 | $ 135, |
| Hamilton Cypress LLC Commercial- 1031 Exchange<br>Brookline, Massachusetts | $ — | $ 2,362,596 | $ 4,613,985 | $ 36,3 |
| Hamilton Green Apartments, LLC Residential Apartments<br>Andover, Massachusetts | $ 35,910,042 | $ 16,054,336 | $ 44,794,438 | $ (8,26 |
| Hamilton Highlands, LLC Residential Apartments<br>Needham, Massachusetts | $ 20,829,315 | 6,815,522 | 27,262,087 | 302, |
| Hamilton Linewt LLC Commercial 1031 Exchange<br>Newton, Massachusetts | $ — | $ 884,042 | $ 2,652,127 | $ 138, |
| Hamilton Oaks Associates LLC Residential Apartments<br>Brockton, Massachusetts | $ 11,925,000 | $ 2,175,000 | $ 12,325,000 | $ 3,31 |
| Highland Street Apartments, L.P. Residential Apartments<br>Lowell, Massachusetts | $ 1,050,000 | $ 156,000 | $ 634,085 | $ 344, |
| Linhart L.P. Residential / Commercial Newton, Massachusetts | $ — | $ 385,000 | $ 1,540,000 | $ 1,60 |
| NERA Dean St. Associates LLC Residential Apartments<br>Norwood, Massachusetts | $ 5,687,000 | $ 1,512,000 | $ 5,701,480 | $ 1,07 |
| North Beacon 140 L.P. Residential Apartments<br>Boston, Massachusetts | $ 6,937,000 | $ 936,000 | $ 3,762,013 | $ 2,38 |
| Olde English Apartments L.P. Residential Apartments<br>Lowell, Massachusetts | $ 3,080,000 | $ 46,181 | $ 878,323 | $ 951, |
| Redwood Hills L.P. Residential Apartments<br>Worcester, Massachusetts | $ 6,743,000 | $ 1,200,000 | $ 4,810,604 | $ 4,58 |

| | | | | |
|---|---|---|---|---|
| Residences at Captain Parkers LLC Residential Apartments Lexington, Massachusetts | $ 20,071,000 | $ 6,247,153 | $ 24,954,777 | $ 1,13 |
| River Drive L.P Residential Apartments Danvers, Massachusetts | $ 3,465,000 | $ 72,525 | $ 587,777 | $ 978, |
| Riverside Apartments Condominium Units Watertown Massachusetts | $ — | $ 23,346 | $ 190,807 | $ 89,6 |
| School St Associates LLC Residential Apartments Framingham, Massachusetts | $ 14,264,674 | $ 4,686,728 | $ 18,746,911 | $ (591 |
| WRF Associates LLC Strip Mall Framingham, Massachusetts | $ 6,083,683 | $ 3,280,000 | $ 4,920,000 | $ 72,3 |
| WCB Associates LLC Residential Apartments Brockton, Massachusetts | $ 7,000,000 | $ 1,335,000 | $ 7,565,501 | $ 2,42 |
| Westgate Apartments Burlington LLC Residential Apartments Burlington, Massachusetts | $ 2,500,000 | $ 44,965 | $ 4,478,687 | $ 247, |
| Westgate Apartments LLC Residential Apartments Woburn, Massachusetts | $ 15,700,000 | $ 461,300 | $ 2,424,636 | $ 6,37 |
| Woodland Park Apartments LLC Residential Apartments Newton Massachusetts | $ 22,250,000 | $ 9,114,334 | $ 35,874,994 | $ 770, |
| | $ 253,711,194 | $ 63,950,775 | $ 238,136,042 | $ 35,8 |

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

(1) The initial cost to the Partnerships 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 2018, rental properties were depreciated over the following estimated useful lives:

| Assets | Life |
|---|---|
| Buildings and Improvements | 10 - 40 years |
| Other Categories of Assets | 5 - 15 years |

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

| | December 31, 2018 | 2017 | 2016 |
|---|---|---|---|
| Rental Properties | | | |
| Balance, Beginning | $ 311,951,597 | $ 263,659,293 | $ 261,276,898 |
| Additions: | | | |
| Buildings, improvements and other assets | 38,160,379 | 50,784,476 | 5,163,081 |
| | 350,111,976 | 314,443,769 | 266,439,979 |
| Deduct: | | | |
| Write-offs of retired or disposed assets | 12,209,565 | 2,492,172 | 2,112,142 |
| Rental properties held for sale and/or sold | | | 668,544 |
| Balance, Ending | $ 337,902,411 | $ 311,951,597 | $ 263,659,293 |
| Accumulated Depreciation | | | |
| Balance, Beginning | $ 104,797,803 | $ 94,196,482 | $ 84,579,584 |
| Add: | | | |
| Depreciation for the year | 14,802,911 | 13,093,493 | 11,729,039 |
| | 119,600,714 | 107,289,975 | 96,308,623 |
| Deduct | | | |
| Accumulated depreciation of retired or disposed assets | 12,209,566 | 2,492,172 | 2,112,141 |
| Balance, Ending | $ 107,391,148 | $ 104,797,803 | $ 94,196,482 |

On March 29, 2018, Hamilton Highlands, LLC (“Hamilton Highlands”), a wholly-owned subsidiary of New England Realty Associates Limited Partnership purchased Webster Green Apartments, a 79 unit apartment complex located at 755-757 Highland Avenue, Needham, Massachusetts. The sale was consummated pursuant to the terms of a Purchase and Sale Contract by and between Webster Green Apartments, LLC, the prior owner of the Property, and The Hamilton Companies, Inc., an affiliate of the Partnership, which agreement was subsequently assigned by Hamilton to Hamilton Highlands.

In connection with the purchase, the Hamilton Highlands entered into an Assumption and Modification Agreement dated as of March 29, 2018 with Brookline Bank pursuant to which the Hamilton Highlands assumed a note dated as of January 14, 2016 in the principal amount of $21,500,000 and various agreements relating to the Note including a Mortgage, Assignment of Leases and Rents, Security Agreement, Fixture Filing dated as of January 14, 2016 The purchase price was $34,500,000, consisting of a payment of approximately $13,000,000 in cash and the assumption of the note and mortgage. Hamilton Highlands funded $5,000,000 of the cash portion of the purchase price out of cash reserves and the remaining $8,000,000 by drawing on an existing line of credit. The closing costs were approximately $141,000. From the purchase price, the Partnership allocated approximately $502,000 for in- place leases, and approximately $40,000 to the value of tenant relationships. These amounts are being amortized over 12 and 24 months respectively.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

On July 6, 2017, Woodland Park Partners, LLC, a newly formed subsidiary of the Partnership, purchased the Woodland Park Apartments, a 126-unit apartment complex located at 264-290 Grove Street, Newton, Massachusetts (the "Property"), for a purchase price of $45,600,000. The closing costs were approximately $64,000. To fund the purchase price, the Partnership borrowed $25,000,000 under its outstanding line of credit with KeyBank, NA, and $16,000,000 from HBC Holdings, LLC, a Massachusetts limited liability company controlled by Harold Brown and the Partnership's cash reserves. On September 29, 2017, the Partnership obtained a mortgage on Woodland Park. The new mortgage is $22,250,000, interest is fixed at 3.79% for 10 years, interest only for the first 5 years, and the mortgage to be amortized over 30 years. The closing costs associated with the financing were approximately $176,000. From the purchase price, the Partnership allocated approximately $541,000 for in-place leases, and approximately $42,000 to the value of tenant relationships. These amounts are being amortized over 12 and 24 months respectively.

On August 3, 2016, Hamilton Green Apartments, LLC sold a single family house contiguous with its apartment complex in Andover, Massachusetts. The sale price of the property was $1,000,000 with closing costs of $227,663 and a cost basis of $668,544 resulting in a gain on the sale of $103,793. Included in the closing costs is a mortgage prepayment penalty of $187,905. The proceeds from the sale were used to reduce the principal amount on the apartment complex's mortgage.

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 gross receipts of rental revenue and laundry income on the majority of the Partnership's properties and 3% on Linewt. Total fees paid were approximately $2,326,000, $2,159,000 and $2,029,000 in 2018, 2017 and 2016, 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 2018, 2017 and 2016, approximately $1,380,000, $882,000 and $1,069,000, was charged to NERA for legal, accounting, construction, maintenance, rental and architectural services supervision of capital improvements and brokerage commissions. Of the 2018 expenses referred to above, approximately $433,000 consisted of repairs and maintenance, $349,000 of administrative expense, $21,000 of brokerage commissions and $13,000 of rental commissions. Approximately $564,000 of expenses for construction, architectural services and supervision of capital projects were capitalized in rental properties. Additionally in 2018, the Hamilton Company received approximately $1,263,000 from the Investment Properties of which approximately $652,000 was the management fee, approximately $210,000 was for construction, architectural services and supervision of capital projects, approximately $299,000 for rental commissions, approximately $47,000 was for maintenance services, and approximately $54,000 was for administrative services. The management fee is equal to 4% of gross receipts rental income on the majority of investment properties and 2% on Dexter Park.

The Partnership reimburses the management company for the payroll and related expenses of the employees who work at the properties. Total reimbursement was approximately $3,347,000, $3,463,000 and $3,076,000 for the years ended December 31, 2018, 2017 and 2016, 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 during 2018, 2017 or 2016.

Bookkeeping and accounting functions are provided by the Management Company’s accounting staff, which consists of approximately 14 people. During the years ended December 31, 2018, 2017 and 2016 the Management Company charged the Partnership $125,000 per year for bookkeeping and accounting services included in administrative expenses above.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

The former President of the Management Company performed asset management consulting services and received an asset management fee from the Partnership. The Partnership did not have a written agreement with this individual. At June 29, 2018, the individual resigned his position. See Note 18-Subsequent Events regarding this individual.

During the years ended December 31, 2018, 2017 and 2016 this individual received a quarterly fee of $18,750 for a total annual fee of  $37,500 in 2018, and $75,000 for both 2017 2016.

To fund the purchase of Woodland Park as mentioned in Note 2, the Partnership borrowed $16,000,000  from HBC Holding LLC, on July 16, 2017, with interest only  at 4.75%.  The loan was fully paid off through the financing of Woodland Park as of December 31, 2017. The total interest expense  incurred was approximately $182,000.

The Partnership has invested in eight limited partnerships, which have invested in mixed use residential apartment complexes. The Partnership has a 40% to 50% ownership interest in each investment property. The other investors, as of December 31,2018, were Harold Brown, and five current and previous employees of the Management Company. Harold Brown's ownership interest was between 47.6% and 59  %. See Note 14 for a description of the properties and their operations.

The Advisory Committee held 4 meetings during 2018, and a total of $21,000 was paid for attendance and participation in such meetings. Additionally, the Audit Committee held 4 meetings in 2018 and a total of $14,000 was paid for attendance and participation in such meetings.

See Note 8 for information regarding the repurchase of Class B and General Partnership Units.

NOTE 4. OTHER ASSETS

Approximately $2,571,000 and $2,420,000 of security deposits are included in prepaid expenses and other assets at December 31, 2018 and 2017, respectively. The security deposits and escrow accounts are restricted cash.

Included in prepaid expenses and other assets at December 31, 2018 and 2017 is approximately $477,000 and $357,000, respectively, held in escrow to fund future capital improvements.

Intangible assets on the acquisitions of Webster Green Apartments and Woodland Park are included in prepaid expenses and other assets. Intangible assets are approximately $152,000 net of accumulated amortization of approximately $959,000 and approximately $302,000 net of accumulated amortization of approximately $280,000 at December 31, 2018 and 2017, respectively.

Financing fees in association with the line of credit of approximately $78,000 and $121,000 are net of accumulated amortization of approximately $50,000 and $7,000 at December 31 2018 and , 2017 respectively.

NOTE 5. MORTGAGE NOTES PAYABLE

Mortgages Payable

At December 31, 2018 and 2017, 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, 2018, the interest rates on these loans ranged from 3.76% to 5.81%, payable in monthly installments aggregating approximately $1,139,000, including principal, to

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

various dates through 2029. The majority of the mortgages are subject to prepayment penalties. At December 31, 2018, the weighted average interest rate on the above mortgages was 4.62%. The effective rate of 4.71% includes the amortization expense of deferred financing costs. See Note 12 for fair value information. The Partnership's mortgage debt and the mortgage debt of its unconsolidated joint ventures generally is non recourse except for customary exceptions pertaining to misuse of funds and material misrepresentations.

Financing fees of approximately $1,420,000 and $1,531,000 are net of accumulated amortization of approximately $1,298,000 and $1,149,000 at December 31, 2018 and 2017, respectively, which includes deferred financing costs for the line of credit of approximately $78,000 and $121,000 at December 31, 2018 and 2017, respectively.

The Partnership has pledged tenant leases as additional collateral for certain of these loans.

Approximate annual maturities at December 31, 2018 are as follows:

| | |
|---|---|
| 2019—current maturities | $ 1,924,000 |
| 2020 | 4,334,000 |
| 2021 | 2,412,000 |
| 2022 | 2,682,000 |
| 2023 | 102,626,000 |
| Thereafter | 139,733,000 |
| | 253,711,000 |
| Less: unamortized deferred financing costs | 1,340,000 |
| | $ 252,371,000 |

On March 29, 2018, Hamilton Highlands, LLC a wholly-owned subsidiary of New England Realty Associates Limited Partnership, purchased Webster Green Apartments, a 79 unit apartment complex located at 755-757 Highland Avenue, Needham, Massachusetts. The purchase was consummated pursuant to the terms of a Purchase and Sale Contract by and between Webster Green Apartments, LLC, the prior owner of the Property, and The Hamilton Companies, Inc., an affiliate of the Partnership, which agreement was subsequently assigned to Hamilton Highlands.

In connection with the purchase, Hamilton Highlands entered into an Assumption and Modification Agreement dated as of March 29, 2018 with Brookline Bank pursuant to which Hamilton Highlands assumed a note dated as of January 14, 2016 in the principal amount of $21,500,000 and various agreements relating to the Note including a Mortgage, Assignment of Leases and Rents, Security Agreement, Fixture Filing dated as of January 14, 2016. The purchase price was $34,500,000, consisting of a payment of approximately $13,000,000 in cash and the assumption of the Note and Mortgage. Hamilton Highlands funded $5,000,000 of the cash portion of the purchase price out of cash reserves and the remaining $8,000,000 by drawing on an existing line of credit.

On March 12, 2018, the loan for 659 Worcester Road was refinanced with Brookline Bank in the amount of $6,083,683. The loan is due on March 12, 2023. Interest only until March 12, 2021. Commencing in April, 2021, monthly payments of principal and interest in the amount of $32,427 are being made based on an assumed amortization period of thirty (30) years. The loan bears a fixed annual rate equal to 4.87%. The proceeds of the new loan were used to pay off the existing loan. The closing costs were approximately $69,000.

On September 29, 2017, Woodland Park Partners LLC, ( “Woodland Park”), entered into a Multifamily Loan and Security Agreement (the “Loan Agreement”) with KeyBank National Association (the “Lender”). The manager of

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

Woodland Park is NewReal, Inc. the general partner of New England Realty Associates Limited Partnership (the “Partnership”). The Partnership is the sole member of Woodland Park. The Loan Agreement provides for a term loan (the “Loan”) in the principal amount of $22,250,000. The Loan is due on October 1, 2027 (the “Due Date”), unless the due date is accelerated in accordance with the Loan’s terms, with interest only through October 1, 2022. Borrowings under the loan will bear interest at the rate of 3.79%. The closing costs were approximately $116,000.

On January 7, 2016, Captain Parker entered into a Multifamily Loan and Security Agreement (the “Loan Agreement”) with KeyBank National Association (the “Lender”). The manager of Captain Parker is NewReal, Inc. the general partner of New England Realty Associates Limited Partnership The Partnership is the sole member of Captain Parker. The Loan Agreement provides for a term loan (the “Loan”) in the principal amount of $20,071,000.The closing costs were approximately $175,000. The Loan is due on February 1, 2026 (the “Due Date”), unless the due date is accelerated in accordance with the Loan’s terms. Borrowings under the Loan will bear interest at rates equal to (i) the one month LIBOR rate for United States Dollar Deposits, determined monthly, plus 201 basis points. The interest rate increases upon an event of default.

Captain Parker is required to repay the aggregate principal amount of the Loan by the Due Date. Interest payments on the Loans are payable monthly in arrears on specified dates set forth in the Loan Agreement. Principal payments on the Loan are also payable monthly commencing on March 1, 2021. The note issued by Captain Parker in connection with the Loan Agreement (the “Note”) also contains provisions for optional prepayment with a penalty under certain circumstances.

Line of Credit

On July 31, 2014, the Partnership entered into an agreement for a $25,000,000 revolving line of credit. The term of the line was for three years with a floating interest rate equal to a base rate of the greater of (a) the Prime Rate (b) the Federal Funds Rate plus one-half of one percent per annum, or (c) the LIBOR Rate for a period of one month plus 1% per annum, plus the applicable margin of 2.5%. The agreement originally expired on July 31, 2017, and was extended until October 31, 2020. The costs associated with the line of credit extension were approximately $128,000. The Partnership borrowed $25,000,000 to partially fund the purchase of Woodland Park. It paid down $8,000,000 through the financing of the property and its’ cash reserve. As of December 31, 2018, the credit line had an outstanding balance of $2,000,000.Subsequent to the end of the year, the line of credit was paid down in full.

On March 29, 2018, the Partnership drew down $8,000,000 in conjunction with the purchase of Webster Green Apartments. On June 4, 2018, the Partnership paid down the credit line by $16,000,000 as a result of the proceeds from the refinancing of Hamilton Park Towers, LLC, also known as Dexter Park. In July, 2018, the Partnership paid down the line of credit by $4,000,000. In October of 2018, the Partnership paid down the line of credit by $3,000,000. As of December 31, 2018, the credit line had an outstanding balance of $2,000,000. Subsequent to the end of the year, the line was paid down in full.

On January 7, 2016, Captain Parker entered into a Multifamily Loan and Security Agreement with KeyBank National Association As a result of securing the financing, the Partnership used the proceeds of the loan and cash reserves of the Partnership to pay down the Line of Credit to zero. A payment was made on January 7, 2016 for $23,000,000, and another payment for $2,000,000 was made on January 15, 2016.

On July 6, 2017, the credit line had an outstanding balance of $25,000,000, which was drawn down in its' entirety and was used in conjunction with a loan of $16,000,000 from HBC Holdings, LLC, a Massachusetts Limited Liability company controlled by Harold Brown, and cash reserves, to purchase Woodland Park Partners, LLC ("Woodland Park").

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

On September 29, 2017, Woodland Park Partners, LLC entered into a Multifamily Loan and Security Agreement with KeyBank National Association. As a result of securing the financing, the Partnership used the proceeds of the loan to pay off the loan from HBC Holdings, LLC. The Line of Credit was paid down by $8,000,000 on October 5, 2017 with both proceeds from the financing and cash reserves of the Partnership.

The line of credit may be used for acquisition, refinancing, improvements, working capital and other needs of the Partnership. The line may not be used to pay dividends, make distributions or acquire equity interests of the Partnership.

The line of credit is collateralized by varying percentages of the Partnership's ownership interest in 23 of its subsidiary properties and joint ventures. Pledged interests range from 49% to 100% of the Partnership's ownership interest in the respective entities.

The Partnership paid fees to secure the line of credit. Any unused balance of the line of credit is subject to a fee ranging from 15 to 20 basis points per annum. The Partnership paid approximately $27,000 during the year ended December 31, 2018.

The line of credit agreement has several covenants, such as providing cash flow projections and compliance certificates, as well as other financial information. The covenants include, but are not limited to the following: maintain a leverage ratio that does not exceed 65%; aggregate increase in indebtedness of the subsidiaries and joint ventures should not exceed $15,000,000; maintain a tangible net worth (as defined in the agreement) of a minimum of $150,000,000; a minimum ratio of net operating income to total indebtedness of at least 9.5%; debt service coverage ratio of at least 1.6 to 1, as well as other items. The Partnership is in compliance with these covenants as of December 31, 2018.

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, 2018 and 2017 respectively, amounts received for prepaid rents of approximately $2,255,000 and $2,127,000 are included in cash and cash equivalents, and security deposits of approximately $2,571,000 and $2,420,000 are included in prepaid expenses and other assets and are restricted cash.

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.

Effective January 3, 2012, the Partnership authorized a 3 for 1 forward split of its Depositary Receipts listed on the NYSE Amex and a concurrent adjustment of the exchange ratio of Depositary Receipts for Class A Units of the Partnership from 10 to 1 to 30 to 1, such that each Depositary Receipt represents one thirtieth (1/30) of a Class A Unit of the Partnership.

In January 2019, the Partnership approved a quarterly distribution to its Class A Limited Partners and holders of Depositary Receipts of record as of March 15, 2019 and payable on March 31, 2019, of $9.60 per unit ($0.32 per receipt).

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

In 2018, regular quarterly distributions of $9.00 per unit ($0.30 per receipt) were paid in March, June, September and December.

In 2017, regular quarterly distributions of $9.00 per unit ($0.30 per receipt) were paid in March, June, September and December. In December 2017, the Partnership paid a special distribution of $28.50 per unit ($0.95 per receipt).

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 30 Depositary Receipts. The following is information per Depositary Receipt:

| | Year Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Net Income per Depositary Receipt | $ 1.12 | $ 1.86 |
| Distributions per Depositary Receipt | $ 1.20 | $ 2.15 |

NOTE 8. TREASURY UNITS

Treasury Units at December 31, 2018 are as follows:

| | |
|---|---|
| Class A | 44,671 |
| Class B | 10,609 |
| General Partnership | 559 |
| | 55,839 |

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 300,000 Depositary Receipts (each of which is one tenth of a Class A Unit). Over time, the General Partner has authorized increases in the equity repurchase program. On March 10, 2015, the General Partner authorized an increase in the Repurchase Program to 2,000,000 Depository Receipts and extended the Program for an additional five years from March 31, 2015 until March 31, 2020. The Repurchase Program requires 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. From August 20, 2007 through December 31, 2018, the Partnership has repurchased 1,365,306 Depositary Receipts at an average price of $27.14 per receipt (or $814.20 per underlying Class A Unit), 3,072 Class B Units and 162 General Partnership Units, both at an average price of $926.26 per Unit, totaling approximately

$40,274,000 including brokerage fees paid by the Partnership.

During the year ended December 31,2018, the Partnership did not purchase any Depositary Receipts.

During the year ended December 31, 2017, the Partnership purchased a total of 549 Depositary Receipts. The average price was $62.00 per receipt or $1,860.00 per unit. The total cost including commission was $34,038. The

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

Partnership was required to repurchase 4.3 Class B Units and 0.2 General Partnership units at a cost of $8,084 and $426 respectively.

NOTE 9. COMMITMENTS AND CONTINGENCIES

From time to time, the Partnership is involved in various ordinary routine litigation incidental to their business. The Partnership either has insurance coverage or provides for any uninsured claims when appropriate. The Partnership is not involved in any material pending legal proceedings..

NOTE 10. RENTAL INCOME

During the year ended December 31, 2018, approximately 94% of rental income was related to residential apartments and condominium units with leases of one year or less. The majority of these leases expire in June, July and August. Approximately 6% was related to commercial properties, which have minimum future annual rental income on non cancellable operating leases at December 31, 2018 as follows:

| | Commercial Property Leases |
|---|---|
| 2019 | $ 2,677,000 |
| 2020 | 2,353,000 |
| 2021 | 1,820,000 |
| 2022 | 1,059,000 |
| 2023 | 670,000 |
| Thereafter | 812,000 |
| | $ 9,391,000 |

The aggregate minimum future rental income does not include contingent rentals that may be received under various leases in connection with common area charges and real estate taxes. Aggregate contingent rentals from continuing operations were approximately $784,000, $642,000 and $616,000 for the years ended December 31, 2018, 2017 and 2016 respectively. Staples and Trader Joes, tenants at Staples Plaza are approximately 29% of the total commercial rental income.

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

The following information is provided for commercial leases:

| Through December 31, | Annual base rent for expiring leases | Total square feet for expiring leases | Total number of leases expiring | Percentage of annual base rent for expiring leases |
|---|---|---|---|---|
| 2019 | $ 459,408 | 22,120 | 11 | 16 % |
| 2020 | 232,198 | 5,959 | 8 | 8 % |
| 2021 | 835,995 | 40,586 | 7 | 29 % |
| 2022 | 554,214 | 14,355 | 7 | 19 % |
| 2023 | 444,280 | 13,591 | 6 | 15 % |
| 2024 | 230,439 | 6,222 | 5 | 8 % |
| 2025 | — | — | — | 0 % |
| 2026 | — | — | — | 0 % |
| 2027 | — | — | — | 0 % |
| 2028 | — | — | — | 0 % |
| 2029 | 142,450 | 3,850 | 1 | 5 % |
| 2030 | — | — | — | 0 % |
| Totals | $ 2,898,984 | 106,683 | 45 | 100 % |

Rents receivable are net of an allowance for doubtful accounts of approximately $532,000 and $644,000 at December 31, 2018 and 2017. Included in rents receivable at December 31, 2018 is approximately $118,000 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 at 62 Boylston Street in Boston, Massachusetts.

Rents receivable at December 31, 2018 also includes approximately $101,000 representing the deferral of rental concession primarily related to the residential properties.

NOTE 11. CASH FLOW INFORMATION

During the years ended December 31, 2018, 2017 and 2016, cash paid for interest was approximately $12,243,000, $10,589,000 and $9,942,000 respectively. Cash paid for state income taxes was approximately $76,000, $61,000 and $47,000 during the years ended December 31, 2018, 2017 and 2016 respectively. Additionally, the Partnership was involved in a non-cash financing activity of approximately $21,000,000 in connection with the purchase of Webster Green Apartments.

NOTE 12. FAIR VALUE MEASUREMENTS

Fair Value Measurements on a Recurring Basis

At December 31, 2018 and 2017, we do not have any significant financial assets or financial liabilities that are measured at fair value on a recurring basis in our consolidated financial statements.

Financial Assets and Liabilities not Measured at Fair Value

At December 31, 2018 and 2017 the carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable, and notes payable, accounts payable and accrued expenses were

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

representative of their fair values due to the short term nature of these instruments or, the recent acquisition of these items.

At December 31, 2018 and 2017, we estimated the fair value of our mortgages payable and other notes based upon quoted market prices for the same (Level 1) or similar (Level 2) issues when current quoted market prices are available. We estimated the fair value of our secured mortgage debt that does not have current quoted market prices available by discounting the future cash flows using rates currently available to us for debt with similar terms and maturities (Level 3). The differences in the fair value of our debt from the carrying value are the result of differences in interest rates and/or borrowing spreads that were available to us at December 31, 2018 and 2017, as compared with those in effect when the debt was issued or acquired. The secured mortgage debt contain pre payment penalties or yield maintenance provisions that could make the cost of refinancing the debt at lower rates exceed the benefit that would be derived from doing so.

At December 31, 2018, the Partnership's line of credit had an outstanding balance in the amount of $2,000,000, which represents its fair market value.

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

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

The following table reflects the carrying amounts and estimated fair value of our debt.

| | | Carrying Amount | Estimated Fair Value |
|---|---|---|---|
| Mortgage Notes Payable | | | |
| Partnership Properties | | | |
| At December 31, 2018 | * | $ 252,370,843 | $ 233,362,501 |
| At December 31, 2017 | * | $ 233,221,258 | $ 237,895,708 |
| Investment Properties | | | |
| At December 31, 2018 | * | $ 166,492,692 | $ 160,956,055 |
| At December 31, 2017 | * | $ 124,145,012 | $ 125,519,974 |

*Net of unamortized deferred financing costs

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2018 and 2017. 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, 2018 and current estimates of fair value may differ significantly from the amounts presented herein.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

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 tax free exchanges, accelerated depreciation, different tax lives, other items with limited tax deductibility and timing differences related to prepaid rents, allowances and intangible assets at significant acquisitions. Taxable income of approximately $4,841,000 was approximately $672,000 more than statement income for the year ended December 31, 2018. The cumulative tax basis of the Partnership's real estate at December 31, 2018 is approximately $878,000 less than the statement basis. The primary reasons for the difference in tax basis are tax free exchanges, accelerated depreciation and bonus depreciation. The Partnership's tax basis in its joint venture investments is approximately $1,121,000 more than statement basis.

Certain entities included in the Partnership's consolidated financial statements are subject to certain state taxes. These taxes are not significant and are recorded as operating expenses in the accompanying consolidates financial statements.

The following reconciles GAAP net income to taxable income:

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | (in thousands) | | |
| Financial statement ("book") net income | $ 4,169 | $ 6,938 | $ 4,951 |
| Book/Tax differences from depreciation and amortization | (4,675) | (3,097) | (1,411) |
| Book/Tax differences on tax free exchanges | 1,087 | 1,344 | 1,257 |
| Book/Tax differences from Investment Properties | 313 | — | (279) |
| Increase in prepaid rent and allowances | 234 | 253 | 375 |
| Business Interest Limitation | 3,713 | — | — |
| Taxable income | $ 4,841 | $ 5,438 | $ 4,893 |

Allowable accelerated depreciation deductions were extended through 2018. The 2018 tax law changes had a significant impact on the taxable income of the Partnership. Future tax law changes may significantly affect taxable income.

The Partnership adopted the amended provisions related to uncertain tax provisions of ASC 740, Income Taxes. As a result of the implementation of the guidance, the Partnership recognized no material adjustments regarding its tax accounting treatment. The Partnership expects to recognize interest and penalties related to uncertain tax positions, if any, as income tax expense, which would be included in general and administrative expense.

In the normal course of business the Partnership or one of its subsidiaries is subject to examination by federal, state and local jurisdictions in which it operates, where applicable. As of December 31, 2018, the tax years that generally remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2015 forward.

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NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

The Partnership has invested in eight limited partnerships and limited liability companies, the majority of which have invested in residential apartment complexes, with three Joint Ventures investing in commercial property. The Partnership has between a 40% 50% ownership interests in each investment. The other investors were Harold Brown and five current and former employees of the Management Company. Harold Brown's ownership interest was between 47.6% and 59%, with the balance owned by the others. A description of each investment is as follows:

On October 28, 2009 the Partnership invested approximately $15,925,000 in a joint venture to acquire a 40% interest in a residential property located in Brookline, Massachusetts. The property, Hamilton Park Towers LLC, referred to as Dexter Park, is a 409 unit residential complex. The purchase price was $129,500,000. The original mortgage was $89,914,000 with an interest rate of 5.57% and it matured in 2019. The mortgage called for interest only payments for the first two years of the loan and amortized over 30 years thereafter.

On May 31, 2018, Hamilton Park Towers, LLC entered into a mortgage note with John Hancock Life Insurance Company (U.S.A.) in the principal amount of $125,000,000. Interest only payments on the note are payable on a monthly basis at a fixed interest rate of 3.99% per annum, and the principal amount of the note is due and payable on June 1, 2028. The Note is secured by a mortgage on the Dexter Park apartment complex located at 175 Freeman Street, Brookline, Massachusetts, pursuant to a Mortgage, Assignment of Leases and Rents and Security Agreement dated May 31, 2018. The Note is guaranteed by the Partnership and HBC Holdings, LLC pursuant to a Guaranty Agreement dated May 31, 2018.

Hamilton Park used the proceeds of the loan to pay off an outstanding loan of approximately $82,000,000 and distributed approximately $41,200,000 to its' owners. The Partnership's share of the distribution was approximately $16,500,000. As a result of the distribution, the carrying value of the investment fell below zero. The Partnership will continue to account for the investment using the equity method of accounting, although the Partnership has no legal obligation to fund its' share of any future operating deficiencies as needed. In connection with this refinancing, the property incurred a defeasance charge of approximately $3,830,000. Based on its' ownership in the property, the Partnership incurred 40% of this charge, an expense of approximately $1,532,000. This charge had a material effect on the 2018 net income.

At December 31, 2018, the balance on this mortgage before unamortized deferred financing costs is approximately $125,000,000.This investment, Hamilton Park Towers, LLC is referred to as Dexter Park.

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 Joint Venture sold 120 units as condominiums and retained 48 units for long term investment. In February 2007, the Joint Venture refinanced the 48 units with a new 10 year mortgage in the original amount of $4,750,000 with an interest rate of 5.57%, interest only for five years. The loan was to be amortized over 30 years with a maturity date of March 2017. On March 1, 2017, the mortgage balance was paid in full, with the Partnership contributing its share of the mortgage balance of approximately $2,222,000.  During the 12 months ended December 31,2018, 16 units were sold, resulting in a gain of approximately $2,438,000. As of December 31, 2017, 29 units were sold with a gain on the sales of approximately $3,628,000. As of December 31, 2018 an additional 2 units are under purchase and sales agreements, and the Partnership still owns 3 units. This investment is referred to as Hamilton Bay Apartments, LLC.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

During 2017, Hamilton Bay LLC, a Joint Venture, sold one unit for a gain of approximately $133,000. As of December 31, 2017, all units have been sold by this Joint Venture.

On March 7, 2005, the Partnership invested $2,000,000 for a 50% ownership interest in a building comprising 48 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 Joint Venture planned to operate the building and initiate development of the parking lot. In June 2007, the Joint Venture 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 and commercial space is referred to as Hamilton Essex 81, LLC. In August 2008, the Joint Venture restructured the mortgages on both parcels at Essex 81. On September 28, 2015, Hamilton Essex Development, LLC paid off the outstanding mortgage balance of $1,952,286. The Partnership made a capital contribution of $978,193 to Hamilton Essex Development LLC for its share of the funds required for the transaction. Additionally, the Partnership made a capital contribution of $100,000 to Hamilton Essex 81, LLC. On September 30, 2015, Hamilton Essex 81, LLC obtained a new 10 year mortgage in the amount of $10,000,000, interest only at 2.18% plus the one month Libor rate. The proceeds of the note were used to pay off the existing mortgage of $8,040,719 and the Partnership received a distribution of $978,193 for its share of the excess proceeds. As a result of the distribution, the carrying value of the investment fell below zero. The Partnership will continue to account for this investment using the equity method of accounting. Although the Partnership has no legal obligation, the Partnership intends to fund its share of any future operating deficits if needed. 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. At December 31, 2018, the balance on this mortgage before unamortized deferred financing costs is approximately $10,000,000.

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 sold 127 of the units as condominiums and retained 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 was 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. On July 8, 2016, Hamilton 1025 LLC paid off the outstanding balance of the mortgage balance. The Partnership made a capital contribution of $2,359,500 to Hamilton 1025, LLC for its share of the funds required for the transaction. As of December 31, 2018, 1 unit was under purchase and sales agreement and the Partnership owned 3 units. 16 units were sold in the year ended December 31, 2018, resulting in a gain of approximately $1,973,000. 20 units were sold in the year ended December 31, 2017 with a gain on the sales of approximately $2,380,000. 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 Joint Venture obtained a mortgage on the property in the amount of $8,025,000 and returned $3,775,000 to the Partnership. The Joint Venture obtained a new 10 year mortgage in the amount of $5,500,000 in January 2007. The interest on the new loan was 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 loan required a cash contribution by the Partnership of $1,250,000 in December 2006. On September 12, 2016, the property was refinanced with a 15 year mortgage in the amount of $6,000,000, at 3.71%, interest only. The Joint Venture Partnership paid off the prior mortgage of approximately $5,158,000 with the proceeds of the new mortgage and made a distribution of $385,000 to the Partnership. The cost associated with the refinancing was approximately $123,000. At December 31, 2018, the balance on this mortgage before unamortized deferred financing costs is approximately $6,000,000. This investment is referred to as Hamilton Minuteman, LLC. In 2018, the carrying value of the investment fell below zero. The Partnership will continue to account for this investment using the equity method of accounting, although the Partnership has no legal obligation to fund its

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

share of any future operating deficiencies, if needed.

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. The Joint Venture sold 137 units as condominiums. The assets were combined with Hamilton on Main Apartments. Hamilton on Main, LLC is known as Hamilton Place. In 2005, Hamilton on Main Apartments, LLC obtained a ten year mortgage on the three buildings to be retained. The mortgage was $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 was due. The net proceeds after funding escrow accounts and closing costs on the mortgage were approximately $16,700,000, which were used to reduce the existing mortgage. In August 2014, the property was refinanced with a 10 year mortgage in the amount of $16,900,000 at 4.34% interest only. The Joint Venture paid off the prior mortgage of approximately $15,205,000 with the proceeds of the new mortgage and distributed $850,000 to the Partnership. The costs associated with the refinancing were approximately $161,000. At December 31, 2018, the balance of the mortgage before unamortized deferred financing costs is approximately $16,900,000.The investment is referred to as Hamilton On Main LLC. In 2018, the carrying value of the investment fell below zero. The Partnership will continue to account for this investment using the equity method of accounting, although the Partnership has no legal obligation to fund its share of any future operating deficiencies, if needed.

In November 2001, the Partnership invested approximately $1,533,000 for a 50% ownership interest in a 40-unit apartment building in Cambridge, Massachusetts. In June 2013, the property was refinanced with a 15 year mortgage in the amount of $10,000,000 at 3.87%, interest only for 3 years and is amortized on a 30 year schedule for the balance of the term. The Joint Venture paid off the prior mortgage of approximately $6,776,000 with the proceeds of the new mortgage. After the refinancing, the Joint Venture made a distribution of $1,610,000 to the Partnership. As a result of the distribution, the carrying value of the investment fell below zero. The Partnership will continue to account for this investment using the equity method of accounting. Although the Partnership has no legal obligation, the Partnership intends to fund its share of any future operating deficits if needed. At December 31, 2018, the balance of this mortgage before unamortized deferred financing costs is approximately $9,553,000. This investment is referred to as 345 Franklin, LLC.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

Summary financial information as of December 31, 2018

| Hamilton Essex 81 | Hamilton Essex Development | 345 Franklin | Hamilton 1025 | Hamilton Bay Apts | Hamilton Minuteman Apts | Hamilton on Main Apts | Dexter Park |
|---|---|---|---|---|---|---|---|
| $ 7,222,446 | $ 2,595,638 | $ 6,005,953 | $ — | $ — | $ 5,639,497 | $ 16,718,616 | $ 86,988,70 |
| — | — | — | 265,622 | 379,515 | — | — | — |
| 131,634 | 118,093 | 94,349 | 125,611 | 258,487 | 99,701 | 160,310 | 1,972,138 |
| 199,425 | 28,329 | 6,872 | 2,977 | — | 3,711 | 23,845 | 269,345 |
| 71,579 | — | 19,863 | — | — | 30,801 | 96,761 | — |
| 267,028 | 115,491 | 64,930 | 22,439 | 113,164 | 19,476 | 64,371 | 1,043,892 |
| $ 7,892,112 | $ 2,857,551 | $ 6,191,967 | $ 416,649 | $ 751,166 | $ 5,793,186 | $ 17,063,903 | $ 90,274,08 |
| $ 9,906,924 | $ — | $ 9,489,257 | $ — | $ — | $ 5,896,001 | $ 16,809,043 | $ 124,391,4 |
| 196,896 | 1,750 | 51,932 | 33,282 | 9,498 | 48,866 | 186,461 | 867,773 |
| 259,821 | — | 249,546 | 7,187 | 2,291 | 124,684 | 389,084 | 2,559,561 |
| 10,363,641 | 1,750 | 9,790,735 | 40,469 | 11,789 | 6,069,551 | 17,384,588 | 127,818,8 |
| (2,471,529) | 2,855,801 | (3,598,768) | 376,180 | 739,377 | (276,365) | (320,685) | (37,544,7 |
| $ 7,892,112 | $ 2,857,551 | $ 6,191,967 | $ 416,649 | $ 751,166 | $ 5,793,186 | $ 17,063,903 | $ 90,274,08 |
| 50 % | 50 % | 50 % | 50 % | 50 % | 50 % | 50 % | 40 |
| $ — | $ 1,427,901 | $ — | $ 188,090 | $ 369,689 | $ — | $ — | $ — |
| $ (1,235,765) | $ — | $ (1,799,384) | $ — | $ — | $ (138,183) | $ (160,343) | $ (15,017,8 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 48 | — | 40 | 175 | 48 | 42 | 148 | 409 |
| 1 | 1 | — | 1 | — | — | — | — |
| 49 | 1 | 40 | 176 | 48 | 42 | 148 | 409 |
| 49 | 1 | 40 | — | — | 42 | 148 | 409 |
| — | — | — | 176 | 48 | — | — | — |
| — | — | — | 174 | 47 | — | — | — |
| — | — | — | 2 | 1 | — | — | — |
| — | — | — | 1 | — | — | — | — |

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

Summary financial information for the year ended December 31, 2018

| | Hamilton Essex 81 | Hamilton Essex Development | 345 Franklin | Hamilton 1025 | Hamilton Bay Apts | Hamilton Minuteman Apts | Hamilton on Main Apts | Dexter Park |
|---|---|---|---|---|---|---|---|---|
| | $ 1,654,459 | $ 244,137 | $ 1,567,718 | $ 112,785 | $ 74,812 | $ 1,077,105 | $ 3,419,218 | $ 15,769 |
| ome | 14,595 | — | 5,410 | — | — | (364) | 38,080 | 106,23 |
| | 1,669,054 | 244,137 | 1,573,128 | 112,785 | 74,812 | 1,076,741 | 3,457,298 | 15,875 |
| | 21,146 | 9,280 | 27,601 | 5,939 | 12,566 | 5,449 | 56,339 | 222,47 |
| ization | 475,646 | 8,706 | 347,547 | — | 30,000 | 355,463 | 1,032,394 | 3,582, |
| | 59,246 | 8,632 | 65,058 | 4,503 | 3,091 | 42,852 | 131,500 | 337,31 |
| | 78,979 | — | 76,512 | 1,606 | 1,435 | 93,795 | 388,387 | 1,302, |
| | 41,946 | 37,353 | 44,869 | 108 | — | 5,940 | 25,947 | 489,72 |
| e | 159,486 | 8,643 | 130,926 | 94,680 | 92,268 | 121,222 | 663,314 | 1,395, |
| | 247,729 | 64,529 | 147,217 | 46,164 | 36,094 | 127,505 | 426,665 | 1,731, |
| | 1,084,178 | 137,143 | 839,730 | 153,000 | 175,454 | 752,226 | 2,724,546 | 9,060, |
| come | 584,876 | 106,994 | 733,398 | (40,215) | (100,642) | 324,515 | 732,752 | 6,814, |
| | (440,676) | — | (384,824) | (50) | (101) | (237,707) | (770,342) | (5,032 |
| | — | — | — | — | — | — | — | — |
| | — | — | — | — | — | — | | (3,829 |
| tate | — | — | — | 1,972,926 | 2,437,766 | — | — | — |
| | (440,676) | — | (384,824) | 1,972,876 | 2,437,665 | (237,707) | (770,342) | (8,862 |
| | $ 144,200 | $ 106,994 | $ 348,574 | $ 1,932,661 | $ 2,337,023 | $ 86,808 | $ (37,590) | $ (2,048 |
| RA 50% | $ 72,100 | $ 53,497 | $ 174,287 | $ 966,331 | $ 1,168,512 | $ 43,404 | $ (18,795) | |
| 0% | | | | | | | | $ (819,2 |

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

Future annual mortgage maturities at December 31, 2018 are as follows:

| Period End | Hamilton Essex 81 | 345 Franklin | Hamilton Minuteman | Hamilton on Main Apts | Dexter Park | Total |
|---|---|---|---|---|---|---|
| 12/31/2019 | $ — | $ 197,742 | $ — | $ — | $ | $ 197,742 |
| 12/31/2020 | — | 205,532 | — | — | | 205,532 |
| 12/31/2021 | — | 213,629 | — | — | | 213,629 |
| 12/31/2022 | — | 222,044 | — | — | | 222,044 |
| 12/31/2023 | — | 230,791 | — | — | | 230,791 |
| Thereafter | 10,000,000 | 8,482,775 | 6,000,000 | 16,900,000 | 125,000,000 | 166,382,775 |
| | 10,000,000 | 9,552,513 | 6,000,000 | 16,900,000 | 125,000,000 | 167,452,513 |
| Less: unamortized deferred financing costs | (93,076) | (63,256) | (103,999) | (90,957) | (608,533) | (959,821) |
| | $ 9,906,924 | $ 9,489,257 | $ 5,896,001 | $ 16,809,043 | $ 124,391,467 | $ 166,492,692 |

At December 31, 2018 the weighted average interest rate on the above mortgages was 3.87%. The effective rate was 3.98% including the amortization expense of deferred financing costs.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

Summary financial information as of December 31, 2017

| Hamilton Essex 81 | Hamilton Essex Development | 345 Franklin | Hamilton 1025 | Hamilton Bay Apts | Hamilton Minuteman Apts | Hamilton on Main Apts | Dexter Park |
|---|---|---|---|---|---|---|---|
| $ 7,615,554 | $ 2,598,297 | $ 6,325,676 | $ — | $ — | $ 5,870,833 | $ 17,568,730 | $ 89,746,22 |
| — | — | — | 1,670,652 | 2,365,620 | — | — | — |
| 293,801 | 46,076 | 105,074 | 86,495 | 448,952 | 88,436 | 145,149 | 969,064 |
| 21,478 | — | 9,057 | 7,129 | 9,199 | 2,121 | 14,879 | 152,759 |
| 95,544 | — | 18,171 | — | — | 28,519 | 183,649 | 316,132 |
| 77,490 | 697 | 53,813 | 362,044 | 315,996 | 25,703 | 71,449 | 1,291,56 |
| $ 8,103,867 | $ 2,645,070 | $ 6,511,791 | $ 2,126,320 | $ 3,139,767 | $ 6,015,612 | $ 17,983,856 | $ 92,475,73 |
| $ 9,893,135 | $ — | $ 9,672,846 | $ — | $ — | $ 5,887,818 | $ 16,792,991 | $ 81,898,22 |
| 57,811 | 1,700 | 56,417 | 11,151 | 23,049 | 49,540 | 137,282 | 750,666 |
| 313,218 | — | 234,870 | 11,649 | 19,365 | 76,426 | 361,677 | 2,469,208 |
| 10,264,164 | 1,700 | 9,964,133 | 22,800 | 42,414 | 6,013,784 | 17,291,950 | 85,118,09 |
| (2,160,297) | 2,643,370 | (3,452,342) | 2,103,520 | 3,097,353 | 1,828 | 691,906 | 7,357,656 |
| $ 8,103,867 | $ 2,645,070 | $ 6,511,791 | $ 2,126,320 | $ 3,139,767 | $ 6,015,612 | $ 17,983,856 | $ 92,475,73 |
| 50 % | 50 % | 50 % | 50 % | 50 % | 50 % | 50 % | 40 |
| $ — | $ 1,321,684 | $ — | $ 1,051,759 | $ 1,548,676 | $ 913 | $ 345,952 | $ 2,943,060 |
| $ (1,080,148) | $ — | $ (1,726,171) | $ — | $ — | $ — | $ — | $ — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 48 | — | 40 | 175 | 48 | 42 | 148 | 409 |
| 1 | 1 | — | 1 | — | — | — | — |
| 49 | 1 | 40 | 176 | 48 | 42 | 148 | 409 |
| 49 | 1 | 40 | — | — | 42 | 148 | 409 |
| — | — | — | 176 | 48 | — | — | — |
| — | — | — | 159 | 31 | — | — | — |
| — | — | — | 17 | 17 | — | — | — |
| — | — | — | 7 | 4 | — | — | — |

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

Summary financial information for the year ended December 31, 2017

| | Hamilton Essex 81 | Hamilton Essex Development | 345 Franklin | Hamilton 1025 | Hamilton Bay Sales | Hamilton Bay Apts | Hamilton Minuteman Apts | Hamilton on Main Apts | D P |
|---|---|---|---|---|---|---|---|---|---|
| | $ 1,404,006 | $ 227,856 | $ 1,473,098 | $ 352,888 | $ 5,557 | $ 544,482 | $ 1,024,570 | $ 3,359,971 | $ |
| | 15,424 | — | 5,380 | — | — | — | 2,620 | 37,968 | |
| | 1,419,430 | 227,856 | 1,478,478 | 352,888 | 5,557 | 544,482 | 1,027,190 | 3,397,939 | |
| | 26,760 | 26,065 | 25,686 | 4,142 | 6,326 | 8,617 | 5,671 | 33,688 | |
| | 456,728 | 2,830 | 348,502 | 82,383 | 81,655 | 181,152 | 349,910 | 1,005,595 | |
| | 59,873 | 9,114 | 61,513 | 13,056 | 253 | 19,947 | 39,976 | 133,138 | |
| | 70,847 | — | 70,599 | 458 | 38 | 4,239 | 87,284 | 360,706 | |
| | 37,474 | — | 36,194 | 392 | 181 | 241 | 7,992 | 36,767 | |
| | 188,763 | 3,668 | 109,039 | 227,346 | 3,326 | 303,174 | 81,647 | 606,570 | |
| | 239,875 | 58,538 | 138,503 | 99,646 | 1,850 | 140,904 | 127,947 | 436,266 | |
| | 1,080,320 | 100,215 | 790,036 | 427,423 | 93,629 | 658,274 | 700,427 | 2,612,730 | |
| | 339,110 | 127,641 | 688,442 | (74,535) | (88,072) | (113,792) | 326,763 | 785,209 | |
| | (349,303) | — | (393,193) | (1,010) | (2) | (41,957) | (237,293) | (770,953) | |
| | — | — | — | — | — | — | — | — | |
| | — | — | — | — | — | — | — | | |
| | — | — | — | 2,379,763 | 133,297 | 3,628,205 | — | — | |
| | (349,303) | — | (393,193) | 2,378,753 | 133,295 | 3,586,248 | (237,293) | (770,953) | |
| | $ (10,193) | $ 127,641 | $ 295,249 | $ 2,304,219 | $ 45,223 | $ 3,472,456 | $ 89,470 | $ 14,256 | $ |
| % | $ (5,097) | $ 63,821 | $ 147,625 | $ 1,152,109 | $ 22,612 | $ 1,736,228 | $ 44,735 | $ 7,127 | |
| | | | | | | | | | $ |

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

Summary financial information for the year ended December 31, 2016

| on 31 | Hamilton Essex Development | 345 Franklin | Hamilton 1025 | Hamilton Bay Sales | Hamilton Bay Apts | Hamilton Minuteman Apts | Hamilton on Main Apts | De Pa |
|---|---|---|---|---|---|---|---|---|
| 1,942 | $ 2,622,011 | $ 6,587,662 | $ 3,706,705 | $ 140,635 | $ 5,929,749 | $ 6,165,266 | $ 17,773,858 | $ |
| 953 | 52,321 | 57,635 | 144,831 | 18,576 | 923 | 47,795 | 95,294 | |
| 04 | — | 9,840 | 10,568 | 2,452 | 5,520 | — | 6,133 | |
| 728 | — | 18,570 | — | 0 | 47,308 | 18,198 | 189,239 | |
| 07 | 615 | 50,553 | 403,514 | 1,540 | 79,474 | 26,473 | 75,324 | |
| 9,534 | $ 2,674,947 | $ 6,724,260 | $ 4,265,618 | $ 163,203 | $ 6,062,974 | $ 6,257,732 | $ 18,139,848 | $ |
| 9,346 | $ — | $ 9,849,225 | $ — | $ — | $ 4,430,574 | $ 5,879,634 | $ 16,776,940 | $ |
| 27 | 1,700 | 65,948 | 9,432 | 3,137 | 12,277 | 50,643 | 157,812 | |
| 582 | — | 236,679 | 61,883 | 1,822 | 82,693 | 120,096 | 347,446 | |
| 57,155 | 1,700 | 10,151,852 | 71,315 | 4,959 | 4,525,544 | 6,050,373 | 17,282,198 | |
| 27,621) | 2,673,247 | (3,427,592) | 4,194,303 | 158,244 | 1,537,430 | 207,359 | 857,650 | |
| 9,534 | $ 2,674,947 | $ 6,724,260 | $ 4,265,618 | $ 163,203 | $ 6,062,974 | $ 6,257,732 | $ 18,139,848 | $ |
| % | 50 % | 50 % | 50 % | 50 % | 50 % | 50 % | 50 % | |
| | $ 1,336,623 | $ — | $ 2,097,151 | $ 79,122 | $ 768,714 | $ 103,679 | $ 428,824 | $ |
| ,810) | $ — | $ (1,713,796) | $ — | $ — | $ — | $ — | $ — | $ |

| | | | | | | |
|---|---|---|---|---|---|---|
| — | 40 | 175 | 120 | 48 | 42 | 148 |
| 1 | — | 1 | — | — | — | — |
| 1 | 40 | 176 | 120 | 48 | 42 | 148 |
| 1 | 40 | — | — | — | 42 | 148 |
| — | — | 176 | 120 | 48 | — | — |
| — | — | 139 | 119 | — | — | — |
| — | — | 37 | 1 | — | — | — |
| — | — | 5 | 1 | — | — | — |

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

Summary financial information for the year ended December 31, 2016

| | Hamilton Essex 81 | Hamilton Essex Development | 345 Franklin | Hamilton 1025 | Hamilton Bay Sales | Hamilton Bay Apts | Hamilton Minuteman Apts | Hamilton on Main Apts | D P |
|---|---|---|---|---|---|---|---|---|---|
| | $ 1,534,910 | $ 240,000 | $ 1,471,455 | $ 798,710 | $ 40,290 | $ 969,220 | $ 992,980 | $ 3,236,490 | $ |
| | 15,263 | — | 4,707 | — | — | — | 1,326 | 40,720 | |
| | 1,550,173 | 240,000 | 1,476,162 | 798,710 | 40,290 | 969,220 | 994,306 | 3,277,210 | |
| | | | | | | | | | |
| | 31,400 | 1,740 | 34,512 | 9,636 | 6,295 | 10,768 | 6,557 | 48,753 | |
| | 452,186 | 2,830 | 348,169 | 184,898 | 4,921 | 298,503 | 341,645 | 961,390 | |
| | 63,880 | 9,600 | 60,545 | 30,493 | 1,745 | 38,258 | 40,648 | 129,134 | |
| | 103,761 | — | 72,280 | 919 | 315 | 2,358 | 96,690 | 328,915 | |
| | 26,731 | — | 22,395 | 1,789 | — | 4,354 | 6,202 | 19,354 | |
| | 157,398 | 3,150 | 66,606 | 296,423 | 22,054 | 413,972 | 84,307 | 558,988 | |
| | 227,148 | 58,725 | 130,867 | 161,984 | 9,236 | 164,667 | 121,365 | 476,185 | |
| | 1,062,504 | 76,045 | 735,374 | 686,142 | 44,566 | 932,880 | 697,414 | 2,522,719 | |
| | 487,669 | 163,955 | 740,788 | 112,568 | (4,276) | 36,340 | 296,892 | 754,491 | |
| | | | | | | | | | |
| | (289,041) | | (397,726) | (150,061) | (71) | (261,440) | (286,628) | (772,201) | |
| | — | — | — | 10 | — | — | — | — | |
| | — | — | — | — | — | — | — | — | |
| | — | — | — | 1,324,174 | 337,251 | — | — | — | |
| | (289,041) | — | (397,726) | 1,174,123 | 337,180 | (261,440) | (286,628) | (772,201) | |
| | $ 198,628 | $ 163,955 | $ 343,062 | $ 1,286,692 | $ 332,904 | $ (225,100) | $ 10,263 | $ (17,710) | $ |
| % | $ 99,314 | $ 81,978 | $ 171,530 | $ 643,347 | $ 166,451 | $ (112,549) | $ 5,132 | $ (8,855) | |
| | | | | | | | | | $ |

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

NOTE 15. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU 2016-02, modifying the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for in the same manner as operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The guidance supersedes previously issued guidance under ASC Topic 840 "Leases". The guidance is effective on January 1, 2019, with early adoption permitted. The Partnership has evaluated the impact the adoption of ASU 2016-02 will have on the Partnership's consolidated financial statements. Management foresees no significant impact at this time.

NOTE 16. SALES OF REAL ESTATE

| | |
|---|---|
| Gain on the Sale of property at Hamilton Green in 2016: | |
| Sale price | $ 1,000,000 |
| Net book value | 668,544 |
| Expense of sale | 227,013 |
| Gain on the sale of real estate | $ 104,443 |

NOTE 17. QUARTERLY FINANCIAL DATA (UNAUDITED)

| | Three Months Ended March 31, 2018 | June 30, 2018 | September 30, 2018 | December 31, 2018 | Total |
|---|---|---|---|---|---|
| Revenue | $ 14,059,000 | $ 14,630,257 | $ 14,545,533 | $ 14,779,274 | $ 58,014,064 |
| Expenses | 10,297,296 | 10,759,024 | 11,329,228 | 10,710,144 | 43,095,692 |
| Income Before Other Income and Discontinued | 3,761,704 | 3,871,233 | 3,216,305 | 4,069,130 | 14,918,372 |

| | | | | | |
|---|---|---|---|---|---|
| Operations | | | | | |
| Other Expenses | (1,883,146) | (3,817,907) | (2,555,976) | (2,492,253) | (10,749,282) |
| Net Income | $ 1,878,558 | $ 53,326 | $ 660,329 | $ 1,576,877 | $ 4,169,090 |
| Net Income per Unit before Discontinued Operations | $ 15.10 | $ 0.43 | $ 5.31 | $ 12.68 | $ 33.52 |
| Net Income Per Unit | $ 15.10 | $ 0.43 | $ 5.31 | $ 12.68 | $ 33.52 |
| Income Per Depositary Receipt Before Discontinued Operations | $ 0.50 | $ 0.01 | $ 0.18 | $ 0.43 | $ 1.12 |
| Net Income Per Depositary Receipt | $ 0.50 | $ 0.01 | $ 0.18 | $ 0.43 | $ 1.12 |

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2017 | June 30, 2017 | September 30, 2017 | December 31, 2017 | Total |
| Revenue | $ 12,743,607 | $ 12,787,791 | $ 13,421,805 | $ 13,874,185 | $ 52,827,388 |
| Expenses | 9,001,696 | 8,817,160 | 10,493,852 | 10,369,714 | 38,682,422 |
| Income Before Other Income and Discontinued Operations | 3,741,911 | 3,970,631 | 2,927,953 | 3,504,471 | 14,144,966 |
| Other Expenses | (1,847,677) | (1,486,924) | (2,056,233) | (1,816,201) | (7,207,035) |
| Net Income | $ 1,894,234 | $ 2,483,707 | $ 871,720 | $ 1,688,270 | $ 6,937,931 |
| Net Income per Unit before Discontinued Operations | $ 15.23 | $ 19.97 | $ 7.01 | $ 13.56 | $ 55.77 |
| Net Income Per Unit | $ 15.23 | $ 19.97 | $ 7.01 | $ 13.56 | $ 55.77 |
| Income Per Depositary Receipt Before Discontinued Operations | $ 0.51 | $ 0.67 | $ 0.23 | $ 0.45 | $ 1.86 |
| Net Income Per Depositary Receipt | $ 0.51 | $ 0.67 | $ 0.23 | $ 0.45 | $ 1.86 |

NOTE 18—SUBSEQUENT EVENTS

From January 1, 2019 through March 8, 2019, the Partnership purchased a total of 41,900 Depository Receipts. The average price was $54.11 per receipt or $1,623.00 per unit. The total cost was $2,267,072. Included in the above purchase is a block purchase of 40,000 Depository Receipts from the former president of the management company.

The Partnership is required to purchase 332 Class B units and 17 General Partnership units at a cost of $538,421 and $28,338 respectively.

In January of 2019, the Partnership paid off the balance of $2,000,000 on the Line of Credit

On February 24, 2019, Harold Brown, the owner of 75% of the outstanding voting securities of NewReal Inc. ("New Real"), the general partner, of New England Realty Associates Limited Partnership (the "Partnership") died. As a result, Mr. Brown's estate currently holds voting control over the NewReal shares.

Effective as of February 24, 2019, the Board of Directors of the Partnership's general partner, NewReal Inc. ("NewReal"), elected Jameson Brown as the Treasurer and Chief Financial Officer of New Real to fill the vacancy created by the death of Harold Brown, who served as both the Treasurer and a director of NewReal.

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NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2018

NOTE 19—QUALIFYING ACCOUNTS

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, 2018: | | | | | |
| Deducted from asset accounts: | | | | | |
| Allowance for doubtful accounts | 643,990 | 357,789 | | 469,618 | 532,161 |
| Year Ended December 31, 2017: | | | | | |
| Deducted from asset accounts: | | | | | |
| Allowance for doubtful accounts | 523,004 | 422,109 | | 301,123 | 643,990 |
| Year Ended December 31, 2016: | | | | | |
| Deducted from asset accounts: | | | | | |
| Allowance for doubtful accounts | 372,828 | 365,746 | | 215,570 | 523,004 |

(a) Uncollectible accounts written off

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EXHIBIT INDEX NOTE UPDATE IN CONJUNCTION WITH 12/31/18 EXHIBITS*****

| 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) |
| (10.4) | Purchase and Sale and Escrow Agreement dated September 1, 2009 by and between 175 Free Street Investors LLC, as Seller, The Hamilton Company, as Purchaser, and First American Title Insurance Company, as Escrow Agent.(8) |
| (10.5) | Limited Liability Company Operating Agreement of HBC Holdings, LLC.(9) |
| (10.6) | Limited Liability Company Agreement of Hamilton Park Towers, LLC.(10) |
| (10.7) | Pledge Agreement dated October 28, 2009 by and between New England Realty Associates Limited Partnership and HBC Holdings, LLC.(11) |
| (10.8) | Promissory Note dated October 28, 2009 of New England Realty Associates Limited Partnership in favor of HBC Holdings, LLC.(12) |
| (10.9) | MultiFamily Note—CME of Hamilton Park Towers, LLC, as Borrower, in favor of Wachovia Multifamily Capital, Inc., as Lender, in the principal amount of $89,914,000 dated October 28, 2009.(13) |
| (10.10) | Purchase and sale agreement by and between Avon Street Apartments and 503 509 Pleasant Street, LLC.(20) |
| (10.11) | Purchase and Sale Agreement dated May 20, 2011 by and between Battlegreen Apartments Trust and Hamilton Battle Green LLC(14). |
| (10.12) | Promissory Note dated June 1, 2011 by and between Avon Street Apartments Limited Partnership, as Maker, and Harold Brown, as Lender(15). |
| (10.13) | Pledge Agreement dated June 1, 2011 by and between Avon Street Apartments Limited Partnership, as Pledgor, and Harold Brown, as Pledgee(16). |
| (10.14) | Hamilton Green Purchase Agreement dated June 14, 2013(17) |
| (10.15) | Loan Agreement dated July 15, 2013(18) |
| (10.16) | Revolving Line of Credit dated July 31, 2014(19) |
| (10.17) | Purchase and Sale Agreement dated August 27, 2015, between Avalon II Massachusetts Value I, L.P., and the Residences at Captain Parker, LLC (25) |
| (10.18) | Multifamily Loan and Security Agreement dated January 7, 2016 between Residences at Captain Parker, LLC ("Captain Parker") and KeyBank National Association ("KeyBank")(21) |
| (10.19) | Multifamily Note Floating Rate dated January 7, 2016,in the principal amount of $20,071,000 made by Captain Parker(22) |
| (10.20) | Multifamily Mortgage, Assignment of Rents, Security Agreement and Fixture filing Massachusetts dated January 7, 2016 between Captain Parker and KeyBank (23) |
| (10.21) | Guaranty dated January 7, 2016, made by New England realty associates Limited Partnership as a limited guarantor (24) |
| (10.22) | Offer to Purchase Agreement dated June 19, 2017 by and between New England Realty Associates Limited Partnership as buyer and M.J. Realty Trust II, as seller. (26) |

| | |
|---|---|
| (10.23) | Assignment and Assumption Agreement dated July 6, 2017, by and between New England Realty Associates Limited Partnership and M.J. Realty Trust II. (27) |
| (10.24) | Promissory Note dated July 6, 2017 in the principal amount of $16,000,000 payable to HBC Holdings, LLC, made by New England Realty Associates Limited Partnership.(28) |
| (10.25) | Pledge Agreement dated July 6, 2017, by and between New England Associates Limited Partnership and HBC Holdings, LLC.(29) |

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| | |
|---|---|
| (10.26) | Mortgage Note dated as of May 31,2018 in the principal amount of $125,000,000 payable to John Hancock Life Insurance Company (U.S.A.), made by Hamilton Park Towers, LLC (30) |
| (10.27) | Mortgage, assignment of Leases and Rents and Security Agreement dated May 31, 2018 by and between Hamilton Park Towers, LLC and John Hancock Life Insurance Company (U.S.A.).(31) |
| (10.28) | Guaranty Agreement dated as of May31,2018 made by New England Realty associates Limited Partnership and HBC Holdings, LLC in favor of John Hancock Life Insurance Company (U.S.A.) (32) |
| (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 Jameson 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) and Jameson Brown, Principal Financial Officer of the Partnership (Treasurer and a Director of NewReal, Inc., sole General Partner of the Partnership). |
| (101.1) | The following financial statements from |

New England Realty Associates Limited Partnership Quarterly Report on Form 10 K for the year ended December 31, 2018 formatted in XBRL:
(i) Consolidated Balance Sheets,
(ii) Consolidated Statements of Income,
(iii) Consolidated Statements of Changes in Partners' Capital,
(iv) Consolidated Statements of Cash Flows, and
(v) Notes to Consolidated Financial Statements.

---

(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.
(8) Incorporated herein by reference to Exhibit 10.1 to the Partnership's Quarterly Report on Form 10 Q for the fiscal quarter ended September 30, 2009.
(9) Incorporated herein by reference to Exhibit 10.2 to the Partnership's Quarterly Report on Form 10 Q for the fiscal quarter ended September 30, 2009.
(10) Incorporated herein by reference to Exhibit 10.3 to the Partnership's Quarterly Report on Form 10 Q for the fiscal quarter ended September 30, 2009.
(11) Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on November 3, 2009.

(12) Incorporated herein by reference to Exhibit 10.2 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on November 3, 2009.
(13) Incorporated herein by reference to Exhibit 10.3 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on November 3, 2009.
(14) Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on May 26, 2011
(15) Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on June 7, 2011.
(16) Incorporated herein by reference to Exhibit 10.2 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on June 7, 2011.
(17) Incorporated by reference to Exhibit 10.1 to the Partnership's Quarterly Report on Form 10 Q as filed with the Securities and Exchange Commission on August 12, 2013.
(18) Incorporated by reference to Exhibit 10.2 to the Partnership's Quarterly Report on Form 10 Q as filed with the Securities and Exchange Commission on August 12, 2013.
(19) Incorporated herein by reference to Exhibit 10.2 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on August 6, 2014.
(20) Incorporated herein by reference to Exhibit 10.10 to the Partnership's Form 10K as filed with the Securities and Exchange Commission on March 11, 2011.
(21) Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on January 14, 2016.
(22) Incorporated herein by reference to Exhibit 10.2 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on January 14, 2016.
(23) Incorporated herein by reference to Exhibit 10.3 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on January 14, 2016.
(24) Incorporated herein by reference to Exhibit 10.4 to the Partnership's Current Report on Form 8 K as filed with the Securities and Exchange Commission on January 14, 2016.
(25) Incorporated herein by reference to Exhibit 10.17 to the Partnership's Form 10K as filed with the Securities and Exchange Commission on March 11, 2016.
(26) Incorporated herein by reference to Exhibit 10.2 to the partnership's Current report on Form 8-K as filed with the securities and Exchange Commission on July 11, 2017.
(27) Incorporated herein by reference to Exhibit 10.3 to the partnership's Current report on Form 8-K as filed with the securities and Exchange Commission on July 11, 2017.
(28) Incorporated herein by reference to Exhibit 10.4 to the partnership's Current report on Form 8-K as filed with the securities and Exchange Commission on July 11, 2017.
(29) Incorporated herein by reference to Exhibit 10.5 to the partnership's Current report on Form 8-K as filed with the securities and Exchange Commission on July 11, 2017.

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(30) Incorporated herein by reference to Exhibit 10.1 to the partnership's Current report on Form 8-K as filed with the securities and Exchange Commission on June 7, 2018.
(31) Incorporated herein by reference to Exhibit 10.2 to the partnership's Current report on Form 8-K as filed with the securities and Exchange Commission on June 7, 2018.
(32) Incorporated herein by reference to Exhibit 10.3 to the partnership's Current report on Form 8-K as filed with the securities and Exchange Commission on June 7, 2018.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

New England Realty Associates
Limited Partnership

By: /s/ Jameson Brown
Jameson Brown, Treasurer

By: /s/ Ronald Brown
Ronald Brown, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Ronald Brown<br>Ronald Brown | President and Director of the General Partner (Principal Executive Officer) | March 13, 2019 |
| /s/ Jameson Brown<br>Jameson Brown | Treasurer and Director of the General Partner (Principal Financial Officer and Principal Accounting Officer) | March 13, 2019 |
| /s/ Guilliaem Aertsen<br>Guilliaem Aertsen | Director of the General Partner | March 13, 2019 |
| /s/ David Aloise<br>David Aloise | Director of the General Partner | March 13, 2019 |
| /s/ Eunice Harps<br>Eunice Harps | Director of the General Partner | March 13, 2019 |