NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP
Form 10-K
March 13, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016
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

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

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

Large accelerated filer	Accelerated filer	Non accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

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

At June 30, 2016, the aggregate market value of the registrant's securities held by non affiliates of the registrant was $126,577,073 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, 2017, there were 99,528 of the registrant's Class A units (2,985,831 Depositary Receipts) of limited partnership issued and outstanding and 23,638 Class B units issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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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 Amex Exchange and are registered under Section 12(b) of the Exchange Act. The Class B Units were issued to the original general partners of the Partnership. The General Partnership Units are held by the current general partner of the Partnership, NewReal, Inc. (the "General Partner"). The Class A Units represent an 80% ownership interest, the Class B Units represent a 19% ownership interest, and the General Partnership Units represent a 1% ownership interest.

The Partnership is engaged in the business of acquiring, developing, holding for investment, operating and selling real estate. The Partnership, directly or through 25 subsidiary limited partnerships or limited liability companies, owns and operates various residential apartment buildings, condominium units and commercial properties located in Massachusetts and New Hampshire. As used herein, the Partnership's subsidiary limited partnerships and limited liabilities companies are each referred to as a "Subsidiary Partnership" and are collectively referred to as the "Subsidiary Partnerships."

The Partnership owns between a 99.67% and 100% interest in each of the Subsidiary Partnerships, except in nine limited liability companies (the "Investment Properties" 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 43.2% and 56%, the President of Hamilton owns between 2.5 % and 4.5 %, and five other management employees of Hamilton own collectively between 0% and 3.3%, 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.

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Operations of the Partnership

The Partnership is managed by the General Partner, NewReal, Inc., a Massachusetts corporation wholly owned by Harold Brown and Ronald Brown. The General Partner has engaged The Hamilton Company, Inc. (the “Hamilton Company” or “Hamilton”) to perform general management functions for the Partnership’s properties in exchange for management fees. The Hamilton Company is wholly owned by Harold Brown and employs Ronald Brown and Harold Brown. The Partnership, Subsidiary Partnerships, and the Investment Properties currently contract with the management company for 50 individuals at the Properties and 11 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, 2017, the Partnership and its Subsidiary Partnerships owned 2,506 residential apartment units in 21 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, 2017, 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, 2017, the Partnership owned a 40 50% interest in 9 residential and mixed use complexes, the Investment Properties, with a total of 772 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 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. 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 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.

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Industry Segments

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

Unit Distributions

In January 2017, the Partnership approved a quarterly distribution of $9.00 per Unit ($0.30 per Receipt), payable on March 31, 2017. In 2016 the Partnership paid a total distribution of an aggregate $54.00 per Unit ($1.80 per Receipt) for a total payment of $6,729,679 in 2016. In 2015, the Partnership paid four quarterly distributions of an aggregate of $30.00 per Unit ($1.00 per Receipt) for a total payment of $3,785,883.

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, 2016, the Partnership has repurchased 1,364,757 Depositary Receipts at an average price of $27.12 per receipt (or $813.60 per underlying Class A Unit), 3,068 Class B Units and 162 General Partnership Units, both at an average price of $ 924.92 per Unit, totaling approximately $40,231,000 including brokerage fees paid by the Partnership.

Property Transactions

On September 18, 2015, Residences at Captain Parkers LLC, a newly formed subsidiary of the Partnership, purchased the Residence at Captain Parkers, a 94 unit apartment complex located at 125 Worthen Road and Ryder Lane in Lexington, Massachusetts. The purchase price was $31,600,000 and the closing costs were approximately $49,000. From the purchase price, the Partnership allocated approximately $474,000 for in-place leases, and approximately $31,000 to the value of tenant relationships. These amounts are being amortized over 12 and 24 months respectively. To fund the purchase, the Partnership utilized the available line of credit of $25,000,000, and the balance from the Partnership's cash reserves.

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 2016, the Partnership and its Subsidiary Partnerships completed improvements to certain of the Properties at a total cost of approximately $5,163,000. 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 1144 Commonwealth Apartments, Captain Parkers, Hamilton Oaks, 62 Boylston Street, Westside Colonial, and School Street 9 Associates, at a cost of $913,000, $722,000, $622,000, $458,000, $409,000, and $387,000 respectively. The Partnership plans to invest approximately $3,746,000 in capital improvements in 2017.

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During 2016, two Joint Venture Partnerships sold units. Hamilton 1025 LLC sold ten units with a gain on the sales of approximately $1,324,000. Hamilton Bay LLC sold four units with a gain on the sales of approximately $337,000.

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 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 the applicable margin of 2.5%. The costs associated with the line of credit were approximately $125,000. As of December 31, 2016, the credit line had no outstanding balance.

On September 15, 2015, the Partnership, in connection with the purchase of the Residence at Captain Parker Apartments, used the entire line of credit, along with cash reserves, to purchase the property. (See Note 2: Rental Properties, for the details of the transaction.)

On January 7, 2016, Captain Parker entered into a Multifamily Loan and Security Agreement (the "Loan Agreement") with KeyBank National Association (the "Lender"). 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.

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 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 $50,000 for the twelve months ended December 31, 2016.

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, 2016.

Advisory Committee

The Advisory Committee members are limited partners Gregory Dube, Robert Nahigian, and Edward Sarkesian. 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.

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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;
- 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;

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- 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.

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.

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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. Nine 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.

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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, 2016. 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.

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

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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.

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.

Apartment Complexes

The table below lists the location of the 2,506 Apartment Units, the number and type of units in each complex, the range of rents and vacancies as of February 1, 2017, the principal amount outstanding under any mortgages as of December 31,

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2016, 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, 2016 (2)	Maturity Date of Mortgage
Battle Green LLC	48 units		—	$ 4,556,929	2026
34–42 Worthen Road	0 three bedroom	N/A		4.95 %	
Lexington, MA	24 two bedroom	$ 2,150 – 2,450			
	24 one bedroom	$ 1,650 – 2,000			
	0 studios	N/A			
Boylston Downtown L.P.	269 units		5	$ 39,767,081	2028
62 Boylston Street	0 three bedroom	N/A		3.97 %	
Boston, MA	0 two bedroom	N/A			
	53 one bedroom	$ 1,925 – 2,850			
	216 studios	$ 1,355 – 2,300			
Brookside Associates, LLC	44 units		1	$ 2,551,784	2020
5–7–10–12 Totman Road	0 three bedroom	N/A		5.81 %	
Woburn, MA	34 two bedroom	$ 1,425 – 1,750			
	10 one bedroom	$ 1,315 – 1,550			
	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	$ 1,025 – 1,400			
	50 one bedroom	$ 950 – 1,100			
	0 studios	N/A			
Commonwealth 1137 L.P.	35 units		—	$ 3,750,000	2023
1131–1137 Commonwealth Ave.	29 three bedroom	$ 2,400 – 3,200		5.65 %	
Allston, MA	4 two bedroom	$ 2,300 – 2,350			
	1 one bedroom	$ 1,050 – 1,050			
	1 studio	$ 1,250 – 1,250			
Commonwealth 1144 L.P.	261 units		1	$ 14,780,000	2023
1144–1160 Commonwealth Ave.	0 three bedroom	N/A		5.61 %	
Allston, MA	11 two bedroom	$ 1,075 – 2,000			
	109 one bedroom	$ 1,375 – 1,875			
	141 studios	$ 950 – 1,650			
Nera Dean Street Associates, LLC	69 units		3	$ 5,687,000	2024
38–48 Dean Street	0 three bedroom	N/A		4.22 %	
Norwood, MA	66 two bedroom	$ 1,355 – 1,629			
	3 one bedroom	$ 1,300 – 1,375			
	0 studios	N/A			
Executive Apartments L.P	72 units		1	$ 2,415,000	2023
545–561 Worcester Road	1 three bedroom	$ 1,850 – 1,850		5.59 %	
Framingham, MA	47 two bedroom	$ 1,320 – 1,625			
	24 one bedroom	$ 1,200 – 1,400			
	0 studios	N/A			
Hamilton Green Apartments LLC	193 units		3	$ 37,171,505	2028

311–319 Lowell Street	10 three bedroom	$ 1,052 – 2,800		4.67 %	
Andover, MA	168 two bedroom	$ 1,369 – 4,200			
	15 one bedroom	$ 1,156 – 1,900			
Hamilton Oaks Associates, LLC	268 units		2	$ 11,925,000	2023
30–50 Oak Street Extension	0 three bedroom	N/A		5.59 %	
40–60 Reservoir Street	96 two bedroom	$ 1,350 – 1,615			
Brockton, MA	159 one bedroom	$ 1,000 – 1,390			
	13 studios	$ 890 – 1,050			

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Apartment Complex	Number and Type of Units	Rent Range	Vacancies	Mortgage Balance and Interest Rate As of December 31, 2016 (2)	Maturity Date of Mortgage
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	$ 1,040 – 1,250			
	10 one bedroom	$ 935 – 1,175			
	2 studios	$ 1,000 – 1,000			
Linhart L.P. (1)	9 units		—	$	
4–34 Lincoln Street	0 three bedroom	N/A		— %	
Newton, MA	0 two bedroom	N/A			
	5 one bedroom	$ 990 – 1,480			
	4 studios	$ 1,090 – 1,140			
North Beacon 140 L.P.	65 units		—	$ 6,937,000	2023
140–154 North Beacon Street	10 three bedroom	$ 2,575 – 2,950		5.59 %	
Brighton, MA	54 two bedroom	$ 1,925 – 2,500			
	1 one bedroom	$ 1,750 – 1,750			
	0 studios	N/A			
Olde English Apartments L.P.	84 units		—	$ 3,080,000	2023
703–718 Chelmsford Street	0 three bedroom	N/A		5.63 %	
Lowell, MA	47 two bedroom	$ 1,170 – 1,450			
	30 one bedroom	$ 1,085 – 1,275			
	7 studios	$ 1,000 – 1,150			
Redwood Hills L.P.	180 units		8	$ 6,743,000	2023
376-382 Sunderland road	0 three bedroom	N/A		5.59 %	
Worcester, MA	89 two bedroom	$ 1,225 – 1,475			
	91 one bedroom	$ 1,000 – 1,175			
	0 studios	N/A			
Residences at Captain Parkers LLC	94 units		—	$ 20,071,000	2026
125 Worthen Road and Ryder Lane	8 three bedroom	$ 2,735 – 3,300		2.51 %	
Lexington, MA	48 two bedroom	$ 1,920 – 2,950			
	38 one bedroom	$ 1,800 – 2,300			
	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	$ 1,275 – 1,675			
	5 one bedroom	$ 1,155 – 1,450			
	7 studios	$ 1,100 – 1,300			
School Street 9, LLC	184 units		3	$ 14,823,892	2023
9 School Street	0 three bedroom	N/A		3.76 %	
Framingham, MA	96 two bedroom	$ 1,300 – 1,750			
	88 one bedroom	$ 1,000 – 1,475			
	0 studios	N/A			
WCB Associates, LLC	180 units		2	$ 7,000,000	2023
10–70 Westland Street	1 three bedroom	$ 1,400 – 1,400		5.66 %	

985–997 Pleasant Street	94 two bedroom	$ 1,150 – 1,525			
Brockton, MA	85 one bedroom	$ 900 – 1,225			
	0 studios	N/A			
Westgate Apartments, LLC	220 units		3	$ 15,700,000	2023
2–20 Westgate Drive	0 three bedroom	N/A		4.65 %	
Woburn, MA	110 two bedroom	$ 1,525 – 1,925			
	110 one bedroom	$ 1,215 – 1,725			
	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	$ 1,825 – 2,200			
	8 one bedroom	$ 1,525 – 1,700			
	0 studios	N/A			

(1) The loan for Linhart LP was paid off in February 2014.
(2) 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 $8 per month per unit. Free rent expense amortized in 2016 was approximately $236,000 compared to approximately $209,000 in 2015.

On September 18, 2015, Residences at Captain Parkers LLC, a newly formed subsidiary of the Partnership, purchased the Residence at Captain Parkers, a 94 unit apartment complex located at 125 Worthen Road and Ryder Lane in Lexington, Massachusetts. The purchase price was $31,600,000 and the closing costs were approximately $49,000. From the purchase price, the Partnership allocated approximately $474,000 for in-place leases, and approximately $31,000 to the value of tenant relationships. These amounts are being amortized over 12 and 24 months respectively.To fund the purchase, the Partnership utilized the available line of credit of $25,000,000, and the balance from the Partnership's cash reserves.

On January 7, 2016, Residences at Captain Parker, LLC, a Massachusetts limited liability (“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. (“New Real”), the general partner of New England Realty Associates Limited Partnership (the “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 Loan is due on February 1, 2026 (the “Due Date”), unless the due date is accelerated in accordance with the Loan's terms. The proceeds of the Loan are being used to refinance existing indebtedness. The Partnership is a limited guarantor of certain of the Captain Parker obligations under the Loan Agreement.

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, 2017.

Condominiums	Number and Type of Units Owned by Partnership	Rent Range	Vacancies	Mortgage Balance and Interest Rate As of December 31, 2016	Maturity Date of Mortgage
Riverside Apartments	19 units		—	—	—
8–20 Riverside Street	0 three bedroom	N/A			
Watertown, MA	12 two bedroom	$ 1,550– 1,900			
	5 one bedroom	$ 1,625– 1,775			
	2 studios	$ 1,300– 1,625			

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, 2017, the commercial space was fully occupied, and the average rent per square foot was $25.62. 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, 2017, the commercial space was fully occupied, and

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the average rent per square foot was $14.00. The Partnership also rents roof space for a cellular phone antenna at an average rent of approximately $40,000 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, 2017, the commercial space was fully occupied, and the average rent per square foot was $25.16. The mortgage balance was paid off in February 2014.

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, 2017, and the average rent per square foot as of that date was $35.50. 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. As of December 31, 2016, the mortgage had an outstanding balance $6,000,000 with interest rate of 5.97%, matures in 2018. As of February 1, 2017 Staples Plaza was fully occupied, and the average net rent per square foot was $23.61.

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, 2017 at an average rent of $36.72 per square foot. The Partnership obtained a mortgage in January 2008 of $1,700,000 on this property. This loan was paid off in February 2014.

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, 2017, the property was 100% occupied at an average rent of $36.38 per square foot. The Partnership assumed a mortgage of approximately $4,011,000. This mortgage was paid off on February 25, 2013.

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
2017	$ 298,019	13,430	10	10 %
2018	333,911	9,557	7	11 %
2019	699,908	24,688	12	24 %
2020	191,771	4,739	6	6 %
2021	829,156	40,323	6	29 %
2022	370,044	8,677	3	12 %
2023	157,443	4,771	1	5 %
2024	94,184	1,858	1	3 %
2025	—	—	—	— %
2026	—	—	—	— %
Totals	$ 2,974,436	108,043	46	100 %

Commercial rental income is accounted for using the straight line method. Fifty percent of our commercial leases contain rent escalations which range from $0.50– $1.50 per square foot per year.

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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, 2016 (1)	Maturity Date of Mortgage
345 Franklin, LLC	40 Units		—	$ 9,925,797	2028
345 Franklin Street	0 three bedroom	N/A		3.87 %	
Cambridge, MA	39 two bedroom	$ 2,675 – 3,350			
	1 one bedroom	$ 2,600 – 2,600			
	0 studios	N/A			
Hamilton on Main Apartments, LLC	148 Units		6	$ 16,900,000	2024
223 Main Street	0 three bedroom	N/A		4.34 %	
Watertown, MA	93 two bedroom	$ 1,475 – 2,250			
	31 one bedroom	$ 1,400 – 2,025			
	24 studios	$ 1,325 – 1,975			
Hamilton Minuteman, LLC	42 Units		1	$ 6,000,000	2031
1 April Lane	0 three bedroom	N/A		3.71 %	
Lexington, MA	40 two bedroom	$ 1,675 – 2,250			
	2 one bedroom	$ 1,900 – 1,900			
	0 studios	N/A			
Hamilton Essex 81 LLC	49 Units		2	$ 10,000,000	2025
Residential	0 three bedroom	N/A		2.80 %	
81–83 Essex Street	11 two bedroom	$ 2,450 – 2,850			
Boston, Massachusetts	38 one bedroom	$ 1,645 – 2,675			
	0 studios	N/A			
Hamilton Essex Development LLC	Parking Lot			$	
Commercial					
81–83 Essex Street					
Boston, Massachusetts					
Hamilton 1025, LLC	38 Units		4	$	
Units to be retained	0 three bedroom	N/A			
1025 Hancock Street	27 two bedroom	$ 1,550 – 1,780			
Quincy, Massachusetts	11 one bedroom	$ 1,425 – 1,580			
	0 studios	N/A			
Hamilton Bay, LLC(A)	1 Units		—		
Units held for sale	0 three bedroom	N/A			
165–185 Quincy Shore Drive	0 two bedroom	N/A			
Quincy, Massachusetts	1 one bedroom	$ 1,550 – 1,550			
	0 studios	N/A			
Hamilton Bay Apartments, LLC	48 Units		5	$ 4,431,370	2017
165–185 Quincy Shore Drive	0 three bedroom	N/A		5.57 %	

Quincy, Massachusetts	24 two bedroom	$ 1,650 – 2,180			
	24 one bedroom	$ 1,475 – 1,740			
	0 studios	N/A			
The Partnership has a 40% ownership interest in the property summarized below:					
Hamilton Park Towers, LLC	409 Units		2	$ 83,501,168	2019
175–185 Freeman Street,	71 three bedroom	$ 3,400 – 4,700		5.57 %	
Brookline,	227 two bedroom	$ 2,200 – 3,600			
Massachusetts	111 one bedroom	$ 1,900 – 2,600			
	0 studios				

Current free rent concessions would result in an average reduction in unit rents of $14.36 per month per unit. Free rent amortized in 2016 was approximately $133,000, compared to $81,000 in 2015.

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(A) Represents unsold units at February 1, 2017.
(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, 2016, the balance of this mortgage before unamortized deferred financing costs is approximately $9,926,000. 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, 2016, the balance of this mortgage before unamortized deferred financing costs is approximately $16,900,000.

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, 2016, the balance on this mortgage before unamortized deferred financing costs is approximately $6,000,000. This investment is referred to as Hamilton Minuteman, LLC.

HAMILTON 1025, LLC. On March 2, 2005, the Partnership invested $2,352,000 for a 50% ownership interest in a 176 unit apartment complex with an additional small commercial building located in Quincy, Massachusetts. The purchase price was $23,750,000. The Partnership 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. This investment is referred to as Hamilton 1025, LLC. Ten units were sold in the year ended December 31, 2016 with a gain on the sales of approximately $1,324,000. As of December 31, 2016, five units are under purchase and sales agreements and the Partnership still owns 38 units. Two units were sold in January, 2017.

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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, 2016, 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. As of December 31, 2016, the balance of the mortgage before unamortized deferred financing costs is approximately $4,431,000. On March 1, 2017, the mortgage balance was paid in full, with the Partnership contributing its share of the mortgage balance of $2,222,000. See Note 18 – SUBSEQUENT EVENTS, for additional information regarding the transaction. This investment is referred to as Hamilton Bay Apartments, LLC. In April 2008, the Joint Venture refinanced an additional 20 units and obtained a new mortgage in the amount of $2,368,000 with interest at 5.75%, interest only, which matured in 2013. On October 18, 2013, the Partnership and its joint venture partner each made capital contributions to the entity of $660,000. The capital was used to pay off the outstanding mortgage. During 2016, 4 units were sold resulting in a gain of approximately $337,000. As of February 1, 2017, one unit is still owned by the Joint Venture. This investment is referred to as Hamilton Bay, LLC.

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 it matures in 2019. The mortgage calls for interest only payments for the first two years of the loan and amortized over 30 years thereafter. The balance of this mortgage before unamortized deferred financing costs is approximately $83,501,000 at December 31, 2016. 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

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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.

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.

In 2016, the high and low bid quotations for the Receipts were $48.18 and $67.22 respectively. The table below sets forth the high, low and closing price for each quarter of 2016 and 2015 and the distributions paid on the Partnership's Depositary Receipts:

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.

	2016				2015			
	Low Bid	High Bid	Close	Distributions	Low Bid	High Bid	Close	Distributions
First Quarter	$ 48.18	$ 55.70	$ 53.92	$ 0.25	$ 46.61	$ 49.90	$ 49.40	$ 0.25
Second Quarter	$ 53.02	$ 59.28	$ 56.79	$ 0.25	$ 47.42	$ 50.24	$ 50.00	$ 0.25
Third Quarter	$ 56.48	$ 67.22	$ 60.51	$ 0.25	$ 46.00	$ 50.24	$ 47.55	$ 0.25
Fourth Quarter	$ 58.20	$ 63.15	$ 60.90	$ 1.05	$ 47.98	$ 51.75	$ 50.75	$ 0.25

Distribution to Limited & General Partners were:

	2016	2015
Class A—Limited Partners (80%)	$ 5,383,743	$ 3,028,706
Class B—Limited Partners (19%)	1,278,639	719,318
Class C—General Partner (1%)	67,297	37,859
Total	$ 6,729,679	$ 3,785,883

On March 10, 2017, the closing price on the NYSE MKT Exchange for a Depositary Receipt was $64.30. There were 2,880,171 Depositary Receipts outstanding and 3,522 Units (representing 105,660 receipts) held by approximately 1,736 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 $54.00 per unit ($1.80 per receipt) in 2016. The Partnership made distributions of $30.00 per Unit ($1.00 per Receipt) in 2015. The total distribution was $6,729,679 in 2016 and $3,785,883 in 2015. In January 2017, the Partnership declared a quarterly distribution of $9.00 per Unit ($0.30 per Receipt) payable on March 31, 2017.

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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, 2016, the Partnership has repurchased 1,364,757 Depositary Receipts at an average price of $27.12 per receipt (or $813.60 per underlying Class A Unit), 3,068 Class B Units and 162 General Partnership Units, both at an average price of $ 924.92 per Unit, totaling approximately $40,231,000 including brokerage fees paid by the Partnership.

Issuer Purchase of Equity Securities during the fourth quarter of 2016:

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, 2016	$ 60.13	330	647,243
November 1-30, 2016	$ —	—	647,243
December 1-31, 2016	$ 61.00	12,000	635,243
Total		12,330	

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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,				
	2016	2015	2014	2013	2012
INCOME STATEMENT INFORMATION(a)					
Revenues	$ 49,555,090	$ 45,480,714	$ 42,632,319	$ 38,364,552	$ 35,169,170
Expenses	36,295,140	32,597,960	31,545,752	27,051,251	22,256,413
Income before other income and discontinued operations	13,259,950	12,882,754	11,086,567	11,313,301	12,912,757
Other (Loss)	(8,309,098)	(9,110,189)	(10,061,717)	(9,355,802)	(9,312,307)
Income before discontinued operations	4,950,852	3,772,565	1,024,850	1,957,499	3,600,450
Discontinued operations	—	—	—	3,697,886	33,348
Net Income	$ 4,950,852	$ 3,772,565	$ 1,024,850	$ 5,655,385	$ 3,633,798