UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2019

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number 001-07172

BRT APARTMENTS CORP.

(Exact name of Registrant as specified in its charter)

Maryland	**13-2755856**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
60 Cutter Mill Road, Great Neck, NY	**11021**
(Address of principal executive offices)	(Zip Code)

516-466-3100
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	BRT	NYSE

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 Date File required to be submitted pursuant to Rule 405 of Regulations 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 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 definition of "large accelerated filer" "accelerated filer", "smaller reporting company"and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of stock, as of the latest practicable date.

16,082,352 Shares of Common Stock,
par value $0.01 per share, outstanding on November 1, 2019

BRT APARTMENTS CORP. AND SUBSIDIARIES
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Part I - FINANCIAL INFORMATION
Item 1. Financial Statements

BRT APARTMENTS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Amounts in thousands, except per share data)

	September 30, 2019	December 31, 2018
ASSETS		
Real estate properties, net of accumulated depreciation and amortization of $117,534 and $91,715	$ 1,112,896	$ 1,029,239
Real estate loan	4,300	4,750
Cash and cash equivalents	18,466	32,428
Restricted cash	10,789	8,180
Deposits and escrows	19,916	21,268
Investments in unconsolidated joint ventures	18,020	19,758
Other assets	8,210	8,084
Total Assets (a)	$ 1,192,597	$ 1,123,707
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, net of deferred costs of $6,550 and $6,289	$ 844,597	$ 771,817
Junior subordinated notes, net of deferred costs of $342 and $357	37,058	37,043
Credit facility, net of deferred costs of $70 and $0	3,530	—
Accounts payable and accrued liabilities	32,285	24,487
Total Liabilities (a)	917,470	833,347
Commitments and contingencies		
Equity:		
BRT Apartments Corp. stockholders' equity:		
Preferred shares $.01 par value 2,000 shares authorized, none outstanding	—	—
Common stock, $.01 par value, 300,000 shares authorized;		
15,227 and 15,038 shares outstanding	152	150
Additional paid-in capital	218,817	216,981
Accumulated other comprehensive (loss) income	(75)	1,688
Accumulated deficit	(35,331)	(20,044)
Total BRT Apartments Corp. stockholders' equity	183,563	198,775
Non-controlling interests	91,564	91,585
Total Equity	275,127	290,360
Total Liabilities and Equity	$ 1,192,597	$ 1,123,707

(a) The Company's consolidated balance sheets include the assets and liabilities of consolidated variable interest entities (VIEs). See note 6. The consolidated balance sheets include the following amounts related to the Company's VIEs as of September 30, 2019 and December 31, 2018, respectively: $677,189 and $584,074 of real estate properties; $7,408 and $5,207 of cash and cash equivalents; $10,186 and $11,705 of deposits and escrows; $4,238 and $6,302 of other assets; $521,494 and $446,779 of mortgages payable, net of deferred costs; and $14,780 and $11,816 of accounts payable and accrued liabilities.

See accompanying notes to consolidated financial statements.

BRT APARTMENTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Rental revenue	$ 33,875	$ 31,283	$ 97,507	$ 90,710
Other income	161	198	595	576
Total revenues	34,036	31,481	98,102	91,286
Expenses:				
Real estate operating expenses - including $960 and $896 to related parties for the three months ended and $2,877 and $2,583 for the nine months ended	16,281	15,661	47,195	44,318
Interest expense	9,845	8,965	28,353	26,408
General and administrative - including $105 and $109 to related parties for the three months ended and $403 and $416 for the nine months ended	2,430	2,002	7,455	6,907
Depreciation	9,950	10,416	29,914	29,856
Total expenses	38,506	37,044	112,917	107,489
Total revenues less total expenses	(4,470)	(5,563)	(14,815)	(16,203)
Equity in loss of unconsolidated joint ventures	(259)	(174)	(643)	(364)
Gain on sale of real estate	9,938	424	9,938	52,405
Gain on insurance recoveries	—	1,272	517	4,499
Loss on extinguishment of debt	(1,766)	—	(1,766)	(593)
Income (loss) from continuing operations	3,443	(4,041)	(6,769)	39,744
Income tax provision (benefit)	98	97	219	(55)
Net income (loss) from continuing operations, net of taxes	3,345	(4,138)	(6,988)	39,799
Net (income) loss attributable to non-controlling interests	(73)	1,027	1,696	(22,377)
Net income (loss) attributable to common stockholders	$ 3,272	$ (3,111)	$ (5,292)	$ 17,422
Weighted average number of shares of common stock outstanding:				
Basic	15,913,975	15,635,953	15,900,362	14,768,429
Diluted	16,113,975	15,635,953	15,900,362	14,968,429
Per share amounts attributable to common stockholders:				
Basic	$ 0.21	$ (0.20)	$ (0.33)	$ 1.18
Diluted	$ 0.20	$ (0.20)	$ (0.33)	$ 1.16

See accompanying notes to consolidated financial statements.

BRT APARTMENTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss)	$ 3,345	$ (4,138)	$ (6,988)	$ 39,799
Other comprehensive (loss) income:				
Unrealized (loss) gain on derivative instruments	(322)	316	(2,544)	1,846
Other comprehensive (loss) income	(322)	316	(2,544)	1,846
Comprehensive income (loss)	3,023	(3,822)	(9,532)	41,645
Comprehensive loss (income) attributable to non-controlling interests	31	934	2,477	(22,938)
Comprehensive income (loss) attributable to common stockholders	$ 3,054	$ (2,888)	$ (7,055)	$ 18,707

See accompanying notes to consolidated financial statements.

BRT APARTMENTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)
(Dollars in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Non-Controlling Interest	Total
Balances, December 31, 2018	$ 150	$ 216,981	$ 1,688	$ (20,044)	$ 91,585	$ 290,360
Distributions - common stock - $0.20 per share	—	—	—	(3,221)	—	(3,221)
Restricted stock vesting	2	(2)	—	—	—	—
Compensation expense - restricted stock and restricted stock units	—	365	—	—	—	365
Consolidation of investment in limited partnership	—	—	—	—	6,047	6,047
Contributions from non-controlling interests	—	—	—	—	264	264
Distributions to non-controlling interests	—	—	—	—	(2,345)	(2,345)
Net loss	—	—	—	(4,247)	(836)	(5,083)
Other comprehensive loss	—	—	(606)	—	(263)	(869)
Comprehensive loss						(5,952)
Balances, March 31, 2019	$ 152	$ 217,344	$ 1,082	$ (27,512)	$ 94,452	$ 285,518
Distributions - common stock - $0.20 per share	—	—	—	(3,220)	—	(3,220)
Compensation expense - restricted stock and restricted stock units	—	373	—	—	—	373
Contributions from non-controlling interests	—	—	—	—	3,027	3,027
Distributions to non-controlling interests	—	—	—	—	(2,264)	(2,264)
Shares repurchased	—	(46)	—	—	—	(46)
Net loss	—	—	—	(4,317)	(933)	(5,250)
Other comprehensive loss	—	—	(939)	—	(414)	(1,353)
Comprehensive loss						(6,603)
Balances, June 30, 2019	$ 152	$ 217,671	$ 143	$ (35,049)	$ 93,868	$ 276,785
Distributions - common stock - $0.22 per share	—	—	—	(3,554)	—	(3,554)
Compensation expense - restricted stock and restricted stock units	—	372	—	—	—	372
Contributions from non-controlling interests	—	—	—	—	1,237	1,237
Distributions to non-controlling interests	—	—	—	—	(3,510)	(3,510)
Shares issued through equity offering program, net	—	774	—	—	—	774
Net income	—	—	—	3,272	73	3,345
Other comprehensive loss	—	—	(218)	—	(104)	(322)
Comprehensive loss						3,023
Balances, September 30, 2019	$ 152	$ 218,817	$ (75)	$ (35,331)	$ 91,564	$ 275,127

See accompanying notes to consolidated financial statements.

BRT APARTMENTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)
(Dollars in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Non-Controlling Interest	Total
Balances, December 31, 2017	$ 133	$ 202,225	$ 1,346	$ (33,292)	$ 72,935	$ 243,347
Distributions - common stock - $0.20 per share	—	—	—	(2,897)	—	(2,897)
Restricted stock vesting	1	(1)	—	—	—	—
Compensation expense - restricted stock and restricted stock units	—	297	—	—	—	297
Consolidation of investment in limited partnership	—	—	—	—	12,370	12,370
Contributions from non-controlling interests	—	—	—	—	18,088	18,088
Distributions to non-controlling interests	—	—	—	—	(32,020)	(32,020)
Purchase of non-controlling interest	—	(82)	—	—	(168)	(250)
Shares issued through equity offering program, net	2	1,399	—	—	—	1,401
Net income	—	—	—	25,222	24,686	49,908
Other comprehensive income	—	—	786	—	346	1,132
Comprehensive income						51,040
Balances, March 31, 2018	$ 136	$ 203,838	$ 2,132	$ (10,967)	$ 96,237	$ 291,376
Distributions - common stock - $0.20 per share	—	—	—	(2,970)	—	(2,970)
Compensation expense - restricted stock and restricted stock units	—	361	—	—	—	361
Contributions from non-controlling interests	—	—	—	—	9,930	9,930
Distributions to non-controlling interests	—	—	—	—	(2,163)	(2,163)
Shares issued through equity offering	8	10,517	—	—	—	10,525
Net loss	—	—	—	(4,689)	(1,282)	(5,971)
Other comprehensive income	—	—	276	—	122	398
Comprehensive loss						(5,573)
Balances, June 30, 2018	$ 144	$ 214,716	$ 2,408	$ (18,626)	$ 102,844	$ 301,486
Distributions - common stock - $0.20 per share	—	—	—	(3,190)	—	(3,190)
Compensation expense - restricted stock and restricted stock units	—	15	—	—	—	15
Distributions to non-controlling interests	—	—	—	—	(1,525)	(1,525)
Purchase of non-controlling interest	—	(3,035)	—	—	(1,889)	(4,924)
Shares issued through equity offering	6	8,480	—	—	—	8,486
Shares repurchased	—	(41)	—	—	—	(41)
Net loss	—	—	—	(3,111)	(1,027)	(4,138)
Other comprehensive income	—	—	221	—	95	316
Comprehensive loss						(3,822)
Balances, September 30, 2018	$ 150	$ 220,135	$ 2,629	$ (24,927)	$ 98,498	$ 296,485

See accompanying notes to consolidated financial statements.

BRT APARTMENTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in Thousands)

	Nine Months Ended September 30,	
	2019	**2018**
Cash flows from operating activities:		
Net (loss) income	$ (6,988)	$ 39,799
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	29,914	29,856
Amortization of deferred financing costs	1,345	1,068
Amortization of restricted stock and restricted stock units	1,110	673
Equity in loss of unconsolidated joint ventures	643	364
Gain on sale of real estate	(9,938)	(52,405)
Gain on insurance recovery	(517)	(4,499)
Loss on extinguishment of debt	1,766	593
Increases and decreases from changes in other assets and liabilities:		
Decrease in deposits and escrows	2,048	2,732
(Increase) decrease in other assets	(1,967)	5,219
Decrease in accounts payable and accrued liabilities	5,107	6,823
Net cash provided by operating activities	22,523	30,223
Cash flows from investing activities:		
Collections from real estate loan	450	450
Additions to real estate properties	(78,196)	(151,030)
Improvements to real estate properties	(7,313)	(15,159)
Investment in joint venture	(11,231)	(12,370)
Purchase of non-controlling interests	—	(5,172)
Consolidation of investment in joint venture	1,458	1,279
Net proceeds from the sale of real estate properties	32,807	147,325
Distributions from unconsolidated joint ventures	1,096	673
Net cash used in investing activities	(60,929)	(34,004)
Cash flows from financing activities:		
Proceeds from mortgages payable	128,193	92,502
Mortgage payoffs	(86,214)	(75,436)
Mortgage principal payments	(4,051)	(3,802)
Proceeds from credit facility	13,500	—
Repayment of credit facility	(9,900)	—
Increase in deferred financing costs	(1,742)	(940)
Dividends paid	(9,871)	(8,939)
Contributions from non-controlling interests	4,528	28,018
Distributions to non-controlling interests	(8,118)	(35,707)
Proceeds from the sale of common stock	774	20,411
Repurchase of shares of common stock	(46)	(41)
Net cash provided by financing activities	27,053	16,066
Net (decrease) increase in cash, cash equivalents and restricted cash	(11,353)	12,285
Cash, cash equivalents and restricted cash at beginning of period	40,608	21,761
Cash, cash equivalents and restricted cash at end of period	$ 29,255	$ 34,046

BRT APARTMENTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(Unaudited)
(Dollars in Thousands)

	Nine Months Ended September 30,	
	2019	**2018**
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest, net of capitalized interest of $860 and $174, respectively	$ 26,991	$ 25,284
Taxes paid	$ 44	$ 216
Acquisition of real estate through assumption of debt	$ —	$ 13,608
Consolidation of investment in joint venture:		
Increase in real estate assets	$ (48,624)	$ —
Increase in deposits and escrows	(696)	—
Increase in other assets	(189)	—
Increase in mortgage payable	33,347	—
Increase in deferred financing costs	(65)	—
Increase in accounts payable and accrued liabilities	407	—
Increase in non controlling interest	6,047	—
Decrease in investment in joint venture	11,231	—
Increase in cash upon consolidation of joint venture	$ 1,458	$ —

See accompanying notes to consolidated financial statements.

BRT APARTMENTS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
September 30, 2019

Note 1 – Organization and Background

BRT Apartments Corp. (the "Company"), a Maryland corporation, owns, operates and develops multi-family properties. The Company conducts its operations to qualify as a real estate investment trust, or REIT, for federal income tax purposes.

Generally, the multi-family properties are acquired with joint venture partners in transactions in which the Company contributes a significant portion of the equity. At September 30, 2019, the Company owns: (a) 36 multi-family properties with 10,152 units (including 402 units in lease-up), located in 12 states with a carrying value of $1,102,619,000; and (b) interests in three unconsolidated multi-family joint ventures with 1,026 units (including 339 units in lease-up) located in two states with a carrying value of $17,964,000.

Note 2 – Basis of Preparation

The accompanying interim unaudited consolidated financial statements as of September 30, 2019, and for the three and nine months ended September 30, 2019 and 2018, reflect all normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for such interim periods. The results of operations for the three and nine months ended September 30, 2019 and 2018, are not necessarily indicative of the results for the full year. The consolidated unaudited balance sheet as of December 31, 2018, has been derived from the unaudited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States ("GAAP"). Accordingly, these unaudited statements should be read in conjunction with the Company's audited financial statements included in its Annual Report on Form 10-K for the year ended September 30, 2018, filed with the Securities and Exchange Commission ("SEC") on December 10, 2018, for complete financial statements.

The consolidated financial statements include the accounts and operations of the Company, its wholly owned subsidiaries, and its majority owned or controlled real estate entities and its interests in variable interest entities ("VIEs") in which the Company is determined to be the primary beneficiary. Material intercompany balances and transactions have been eliminated.

The Company’s consolidated joint ventures that own multi-family properties, except as set forth in the following paragraph, were determined to be VIEs because the voting rights of some equity investors in the applicable joint venture entity are not proportional to their obligations to absorb the expected losses of the entity and their right to receive the expected residual returns. It was determined that the Company is the primary beneficiary of these joint ventures because it has a controlling interest in that it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance and it has the obligation to absorb losses of the entity and the right to receive benefits that could potentially be significant to the VIE.

The joint ventures that own properties in Ocoee, FL, Lawrenceville, GA, Dallas, TX, Farmers Branch, TX and Grand Prairie, TX were determined not to be VIEs but are consolidated because the Company has controlling rights in such entities.

With respect to its unconsolidated joint ventures, as (i) the Company is generally the managing member but does not exercise substantial operating control over these entities or the Company is not the managing member and (ii) such entities are not VIEs, the Company has determined that such joint ventures should be accounted for under the equity method of accounting for financial statement purposes.

The distributions to each joint venture partner are determined pursuant to the applicable operating agreement and may not be *pro-rata* to the percentage equity interest each partner has in the applicable venture.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from those estimates. Substantially all of the Company's assets are comprised of multi-family real estate assets generally leased to tenants on a one-year basis. Therefore, the Company aggregates real estate assets for reporting purposes and operates in one reportable segment.

In February 2019, the Board of Directors of the Company authorized a change in the Company's fiscal year end from September 30 to December 31. The change is intended to better align the Company's fiscal year with the fiscal year of other multi-family REITs. As a result of the change in fiscal year, (i) the Company's 2019 fiscal year began on January 1, 2019 and ends on December 31, 2019 and (ii) the Company filed a Transition Report on Form 10-Q covering the transition period from October 1, 2018 to December 31, 2018.

Note 3 - Equity

Equity Distribution Agreements

In January 2018, the Company entered into equity distribution agreements, which were amended in May 2018, with three sales agents to sell up to an aggregate of $30,000,000 of its common stock from time-to-time in an at-the-market offering. During the quarter ended September 30, 2019, the Company did not sell any shares. From the commencement of this program through September 30, 2019, the Company sold 1,645,997 shares for an aggregate sales price of $21,704,000 before commissions of $440,000 and offering related expenses of $78,000. From October 1, 2019 through November 1, 2019, the Company sold 130,485 shares for an aggregate sales price of $2,006,000 before commissions and fees of $40,000.

Common Stock Dividend Distribution

The Company declared a quarterly cash distribution of $0.22 per share, payable on October 10, 2019 to stockholders of record on September 25, 2019.

Stock Based Compensation

The Company's 2018 Incentive Plan (the "2018 Plan") permits the Company to grant: (i) stock options, restricted stock, restricted stock units, performance share awards and any one or more of the foregoing, up to a maximum of 600,000 shares; and (ii) cash settled dividend equivalent rights in tandem with the grant of restricted stock units or certain performance based awards.

Restricted Stock Units

In June 2016, the Company issued restricted stock units (the "Units") to acquire up to 450,000 shares of common stock pursuant to the 2016 Amended and Restated Incentive Plan (the "2016 Incentive Plan"). The Units entitle the recipients, subject to continued service through the March 31, 2021 vesting date, to receive (i) the underlying shares if and to the extent certain performance and/or market conditions are satisfied at the vesting date, and (ii) an amount equal to the cash dividends paid from the grant date through the vesting date with respect to the shares of common stock underlying the Units if, when, and to the extent, the related Units vest. For financial statement purposes, because the Units are not participating securities, the shares underlying the Units are excluded in the outstanding shares reflected on the consolidated balance sheet and from the calculation of basic earnings per share. The shares underlying the Units are contingently issuable shares.

Expense is recognized over the five-year vesting period on the Units which the Company expects to vest. For the three months ended September 30, 2019 and 2018, the Company recorded $35,000 and $(274,000), respectively, and for the nine months ended September 30, 2019 and 2018, the Company recorded $106,000 and $(128,000) of compensation expense related to the amortization of unearned compensation with respect to the Units. At September 30, 2019 and December 31, 2018, $213,000 and $319,000 of compensation expense, respectively, had been deferred and will be charged to expense over the remaining vesting period.

Restricted Stock

In January 2019, the Company granted 156,399 shares of restricted stock pursuant to the 2018 Incentive Plan. As of September 30, 2019, an aggregate of 725,296 shares of unvested restricted stock are outstanding pursuant to the 2018 Incentive Plan, 2016 Incentive Plan and 2012 Incentive Plan. No additional awards may be granted under the 2016 Incentive Plan and the 2012 Incentive Plan. The shares of restricted stock vest five years from the date of grant and under specified circumstances, including a change in control, may vest earlier. For financial statement purposes, the restricted stock is not included in the outstanding shares shown on the consolidated balance sheets until they vest, but are included in the earnings per share computation.

For the three months ended September 30, 2019 and 2018, the Company recorded $337,000 and $290,000, respectively, and for the nine months ended September 30, and 2018, the Company recorded $1,004,000 and $801,000, respectively, of compensation expense related to the amortization of unearned compensation with respect to the restricted stock awards. At September 30, 2019 and December 31, 2018, $3,674,000 and $2,735,000 has been deferred as unearned compensation and will be charged to expense over the remaining vesting periods of these restricted stock awards. The weighted average remaining vesting period of these shares of restricted stock is 2.4 years.

Stock Buyback

On September 5, 2017, the Board of Directors approved a repurchase plan authorizing the Company, effective as of October 1, 2017, to repurchase up to $5,000,000 of shares of common stock through September 30, 2019. During the nine months ended September 30, 2019, the Company repurchased 3,590 shares of common stock at an average market price of $12.80 for an aggregate cost of $46,000. During the nine months ended September 30, 2018, the Company repurchased 3,500 shares of common stock at an average market price of $11.73 for an aggregate cost of $41,000.

On September 12, 2019, the Board of Directors approved a new repurchase plan authorizing the Company, effective as of October 1, 2019, to repurchase up to $5,000,000 of shares of common stock through September 30, 2021.

Per Share Data

Basic earnings (loss) per share is determined by dividing net income (loss) applicable to common stockholders for the applicable period by the weighted average number of shares of common stock outstanding during such period. The Units are excluded from the basic earnings per share calculation, as they are not participating securities. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into shares of common stock or resulted in the issuance of shares of common stock that share in the earnings of the Company. Diluted earnings per share is determined by dividing net income applicable to common stockholders for the applicable period by the weighted average number of shares of common stock deemed to be outstanding during such period. In calculating diluted earnings per share, the Company, for the nine months ended September 30, 2019 and the three months ended September 30, 2018, did not include any shares underlying the Units as their effect would have been anti-dilutive. For the three months ended September 30, 2019, and the nine months ended September 30, 2018, the Company included 200,000 shares of common stock underlying the Units as the market criteria with respect to the Units had been met.

The following table sets forth the computation of basic and diluted earnings per share (dollars in thousands, except share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Numerator for basic and diluted earnings (loss) per share attributable to common stockholders:				
Net income (loss) attributable to common stockholders	$ 3,272	$ (3,111)	(5,292)	17,422
Denominator:				
Denominator for basic earnings per share—weighted average number of shares	15,913,975	15,635,953	15,900,362	14,768,429
Effect of diluted securities	200,000	—	—	200,000
Denominator for diluted earnings per share—adjusted weighted average number of shares and assumed conversions	16,113,975	15,635,953	15,900,362	14,968,429
Basic earnings (loss) per share	$ 0.21	$ (0.20)	$ (0.33)	$ 1.18
Diluted earnings (loss) per share	$ 0.20	$ (0.20)	$ (0.33)	$ 1.16

Note 4 - Real Estate Properties

Real estate properties consist of the following (dollars in thousands):

	September 30, 2019	December 31, 2018
Land	$ 157,252	$ 155,573
Building	1,025,689	924,378
Building improvements	47,489	41,003
Real estate properties	1,230,430	1,120,954
Accumulated depreciation	(117,534)	(91,715)
Total real estate properties, net	$ 1,112,896	$ 1,029,239

A summary of real estate properties owned is as follows (dollars in thousands):

	December 31, 2018 Balance	Additions	Capitalized Costs and Improvements	Depreciation	Sales	September 30, 2019 Balance
Multi-family	$ 964,320	$ 110,710	$ 10,004	$ (29,286)	$ (22,722)	$ 1,033,026
Multi-family lease-up -West Nashville, TN	54,555	—	15,579	(541)	—	69,593
Land - Daytona, FL	8,021	—	—	—	—	8,021
Shopping centers/Retail - Yonkers, NY	2,343	—	—	(87)	—	2,256
Total real estate properties	$ 1,029,239	$ 110,710	$ 25,583	$ (29,914)	$ (22,722)	$ 1,112,896

The following table summarizes the allocation of the purchase price with respect to three properties purchased during the nine months ended September 30, 2019 (dollars in thousands):

	Allocation of Purchase Price
Land	$ 6,703
Building and improvements	102,693
Acquisition-related intangible assets	1,314
Total consideration	$ 110,710

The purchase price of the properties acquired, inclusive of acquisition costs, was allocated to the acquired assets based on their estimated relative fair values on the acquisition date.

Note 5 - Acquisitions and Dispositions

Property Acquisitions

The table below provides information regarding the Company's purchase of multi-family properties during the nine months ended September 30, 2019 (dollars in thousands):

Location	Purchase Date	No. of Units	Purchase Price	Acquisition Mortgage Debt	Initial BRT Equity	Ownership Percentage	Capitalized Acquisition Costs
Kannapolis, North Carolina	3/12/2019	312	$ 48,065	$ 33,347	$ 11,231	65 %	$ 559
Birmingham, Alabama	5/7/2019	328	43,000	32,250	11,625	80 %	546
Auburn, Alabama	8/8/2019	200	18,400	14,500	4,320	80 %	140
		840	$ 109,465	$ 80,097	$ 27,176		$ 1,245

The table below provides information regarding the Company's purchases of multi-family properties during the nine months ended September 30, 2018 (dollars in thousands):

Location	Purchase Date	No. of Units	Purchase Price	Acquisition Mortgage Debt	Initial BRT Equity	Ownership Percentage	Capitalized Acquisition Costs
Ocoee, FL	2/7/2018	522	$ 71,347	$ 53,060	$ 12,370	50.0 %	$ 1,047
Lawrenceville, GA	2/15/2018	586	77,229	54,447	15,179	50.0 %	767
Daytona, FL	4/30/2018	208	20,500	13,608	6,900	80.0 %	386
Grand Prairie, TX	5/17/2018	281	30,800	18,995	7,300	50.0 %	411
		1,597	$ 199,876	$ 140,110	$ 41,749		$ 2,611

Property Dispositions

The following table is a summary of the real estate properties disposed of by the Company during the nine months ended September 30, 2019 (dollars in thousands):

Location	Sale Date	No. of Units	Sales Price	Gain on Sale	Non-controlling partner's portion of the gain
Houston, TX (two properties)	7/11/2019	384	$ 33,200	$ 9,938	$ 894

The following table is a summary of the real estate properties disposed of by the Company during the nine months ended September 30, 2018 (dollars in thousands):

Location	Sale Date	No. of Units	Sales Price	Gain on Sale	Non-controlling partner's portion of the gain
New York, NY	1/18/2018	1	$ 470	$ 439	$ —
Valley, AL	2/23/2018	618	51,000	9,712	4,547
Palm Beach Gardens, FL	2/25/2018	542	97,250	41,831	$ 20,593
New York, NY	8/15/2018	1	450	423	—
		1,162	$ 149,170	$ 52,405	$ 25,140

Impairment Charges

The Company reviews each real estate asset owned, including those held through investments in unconsolidated joint ventures, for impairment when there is an event or a change in circumstances indicating that the carrying amount may not be recoverable. The Company measures and records impairment losses, and reduces the carrying value of properties, when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where the Company does not expect to recover its carrying costs on properties held for use, the Company reduces its carrying costs to fair value, and for properties held for sale, the Company reduces its carrying value to the fair value less costs to sell. During the three and nine months ended September 30, 2019 and 2018, no impairment charges were recorded.

Note 6 - Variable Interest Entities

The Company conducts a significant portion of its business with joint venture partners. Many of the Company's consolidated joint ventures that own properties were determined to be VIEs because the voting rights of some equity partners are not proportional to their obligations to absorb the expected loses of the entity and their rights to receive expected residual returns. It was determined that the Company is the primary beneficiary of these joint ventures because it has a controlling financial interest in that it has the power to direct the activities of the VIE that most significantly impacts the entity's economic performance and it has the obligation to absorb losses of the entity and the right to receive benefits from the entity that could potentially be significant to the VIE.

The following is a summary of the carrying amounts with respect to the consolidated VIEs and their classification on the Company's consolidated balance sheets (dollars in thousands):

	September 30, 2019 (unaudited)	December 31, 2018 (unaudited)
ASSETS		
Real estate properties, net of accumulated depreciation of $67,264 and $53,637	$ 677,189	$ 584,074
Cash and cash equivalents	7,408	5,207
Deposits and escrows	10,186	11,705
Other assets	4,238	6,302
Total Assets	$ 699,021	$ 607,288
LIABILITIES		
Mortgages payable, net of deferred costs of $4,209 and $3,786	$ 521,494	$ 446,779
Accounts payable and accrued liabilities	14,780	11,816
Total Liabilities	$ 536,274	$ 458,595

Note 7 - Restricted Cash

Restricted cash represents funds held for specific purposes and are therefore not available for general corporate purposes. The restricted cash reflected on the consolidated balance sheets represents funds that are held by or on behalf of the Company specifically for capital improvements at certain multi-family properties.

Note 8 – Investment in Unconsolidated Ventures

The Company has interests in unconsolidated joint ventures that own multi-family properties. The table below provides information regarding these joint ventures at September 30, 2019 (dollars in thousands):

Location	Number of Units	Carrying Value of Investment	Mortgage Balance	Percent Ownership
Columbia, SC	374	$ 4,385	$ 39,658	32 %
Columbia, SC (a)	339	7,532	41,104	46 %
Forney, TX (b)	313	6,047	25,350	50 %
Other investments	N/A	56	N/A	N/A
	1,026	$ 18,020	$ 106,112	

(a) Property is currently in lease-up. Construction financing for this project of up to $42,019 has been secured. Such financing bears interest at 4.95% and matures in June 2020.

(b) This interest is held through a tenancy-in-common.

The net loss from these ventures was $259,000 and $174,000 for the three months ended September 30, 2019 and 2018, respectively, and $643,000 and $364,000 for the nine months ended September 30, 2019 and 2018, respectively.

Note 9 – Debt Obligations

Debt obligations consist of the following (dollars in thousands):

	September 30, 2019	December 31, 2018
Mortgages payable	$ 851,147	$ 778,106
Junior subordinated notes	37,400	37,400
Credit facility	3,600	—
Deferred financing costs	(6,962)	(6,646)
Total debt obligations, net of deferred costs	$ 885,185	$ 808,860

Mortgages Payable

During the nine months ended September 30, 2019, the Company obtained the following mortgage debt in connection with the acquisition of the following properties (dollars in thousands):

Location	Closing Date	Acquisition Mortgage Debt	Interest Rate	Interest only period	Maturity Date
Kannapolis, NC	3/12/19	$ 33,347	3.52 %	—	3/1/2052
Birmingham, AL	5/7/19	32,250	4.19 %	72 months	6/1/2029
Auburn, AL	8/8/19	14,500	3.79 %	48 months	9/1/2031
		$ 80,097			

On September 6, 2019, the Company obtained a $1,100,000 supplemental loan on its Macon, GA property. The loan bears interest at a rate of 4.21% and matures February 1, 2026.

The Company has a construction loan financing a project with 402 units, which property is in lease-up. Information regarding this loan at September 30, 2019 is set forth below (dollars in thousand):

Location	Closing Date	Maximum Loan Amount	Amount outstanding	Interest Rate	Maturity Date	Extension Option
West Nashville,TN	6/2/2017	$ 47,426	$ 44,848	30 day LIBOR + 2.85%	6/2/2022	N/A

In the three months ended September 30, 2019, $569,000 of interest was incurred on this loan, of which $165,000 was capitalized. In the nine months ended September 30, 2019, $1,528,000 of interest was incurred on this loan, of which $860,000 was capitalized.

On September 19, 2019, the Company refinanced a $27,000,000 adjustable rate loan on its San Antonio, TX property with a fixed rate loan in the amount of $27,000,000. The mortgage debt bears interest at a fixed rate of 3.64%, matures in October 2029, is interest only for five years, amortizes on a 30 year schedule with a balloon payment of the unpaid principal balance and interest due at maturity.

Credit Facility

The Company entered into a credit facility dated April 18, 2019, as subsequently amended, with an affiliate of Valley National Bank. The facility allows the Company to borrow, subject to compliance with borrowing base requirements and other conditions, up to $10,000,000 to facilitate the acquisition of multi-family properties, and is secured by the cash available in certain cash accounts maintained by the Company at Valley National Bank. The facility matures April 2021 and bears an adjustable interest rate of 50 basis points over the prime rate, with a floor of 5%. The interest rate in effect as of September 30, 2019 is 5%. There is an unused facility fee of 0.25% per annum on the difference between the outstanding loan balance and maximum amount then available under the facility.

At September 30, 2019, the outstanding balance on the facility was $3,600,000. Interest expense for the three and nine months ended September 30, 2019, which includes amortization of deferred costs, was $57,000 and $153,000, respectively. At November 1, 2019, the outstanding balance on the credit facility was $2,800,000.

Junior Subordinated Notes

At September 30, 2019 and December 31, 2018, the Company's junior subordinated notes had an outstanding principal balance of $37,400,000, before deferred financing costs of $342,000 and $357,000, respectively. At September 30, 2019, the interest rate on the outstanding balance is three month LIBOR + 2.00% or 4.26%.

The junior subordinated notes require interest - only payments through the maturity date of April 30, 2036, at which time repayment of the outstanding principal and unpaid interest become due. Interest expense for the three months ended September 30, 2019 and 2018, which includes amortization of deferred costs, was $438,000 and $416,000, respectively, and for the nine months ended September 30, 2019 and 2018 was $1,326,000 and $1,159,000, respectively.

Note 10 – Related Party Transactions

The Company has retained certain of its executive officers and Fredric H. Gould, a director, to provide, among other things, the following services: participating in the Company's multi-family property analysis and approval process (which includes service on an investment committee), providing investment advice, long-term planning and consulting with executives and employees with respect to other business matters, as required. The aggregate fees incurred and paid for these services in the three months ended September 30, 2019 and 2018 were $332,000 and $317,000, respectively, and for the nine months ended September 30, 2019 and 2018 were $998,000 and $951,000, respectively.

Management of certain properties owned by the Company and certain joint venture properties is provided by Majestic Property Management Corp. ("Majestic Property"), a company wholly owned by Fredric H. Gould. Certain of the Company's officers and directors are also officers and directors of Majestic Property. Majestic Property may also provide real estate brokerage and construction supervision services to these properties. These fees amounted to $9,000 and $8,000 for the three months ended September 30, 2019 and 2018, respectively, and for the nine months ended September 30, 2019 and 2018 were $25,000 and $24,000, respectively.

The Company shares facilities, personnel and other resources with One Liberty Properties, Inc., Majestic Property, and Gould Investors L.P. Certain of the Company's executive officers and/or directors also serve in management positions, and have ownership interests, in One Liberty, Majestic Property and/or Georgetown Partners Inc., the managing general partner of Gould Investors. The allocation of expenses for the facilities, personnel and other resources shared by the Company, One Liberty, Majestic Property and Gould Investors is computed in accordance with a shared services agreement by and among the Company and these entities and is included in general and administrative expense on the consolidated statements of operations. For the three months ended September 30, 2019 and 2018, net allocated general and administrative expenses reimbursed by the Company to Gould Investors pursuant to the shared services agreement aggregated $105,000 and $109,000, respectively, and for the nine months ended September 30, 2019 and 2018 were $402,000 and $416,000, respectively.

Management of many of the Company's multi-family properties (including three multi-family properties owned by two unconsolidated joint ventures) is performed by the Company's joint venture partners or their affiliates. None of these joint venture partners is Gould Investors, Majestic Property or their affiliates. Management fees to these joint venture partners or their affiliates for the three months ended September 30, 2019 and 2018 were $1,074,000 and $976,000, respectively, and $3,187,000 and $2,810,000 for the nine months ended September 30, 2019 and 2018, respectively. In addition, the Company may pay an acquisition fee to a joint venture partner in connection with a property purchased by such joint venture. For the three months ended September 30, 2019 and 2018, capitalized acquisition fess paid were $25,000 and $—, respectively. For the nine months ended September 30, 2019 and 2018, capitalized acquisitions fees paid were $876,000 and $1,813,000, respectively.

Note 11 – Fair Value of Financial Instruments

Financial Instruments Not Carried at Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments that are not recorded at fair value on the consolidated balance sheets:

Cash and cash equivalents, restricted cash, accounts receivable (included in other assets), accounts payable and accrued liabilities: The carrying amounts reported in the balance sheets for these instruments approximate their fair value due to the short term nature of these accounts.

Junior subordinated notes: At September 30, 2019 and December 31, 2018, the estimated fair value of the notes is greater than their carrying value by approximately $9,520,000 and $11,974,000, respectively, based on a market interest rate of 6.63% and 7.79%, respectively.

Credit facility: At September 30, 2019, the estimated fair value of the credit facility is equal to its carrying value.

Mortgages payable: At September 30, 2019, the estimated fair value of the Company's mortgages payable is greater than their carrying value by approximately $29,153,000, assuming market interest rates between 2.87% and 4.65% and at December 31, 2018, the estimated fair value of the Company's mortgages payable was lower than their carrying value by approximately $19,334,000 assuming market interest rates between 3.94% and 5.61%. Market interest rates were determined using rates which the Company believes reflects institutional lender yield requirements at the balance sheet dates.

Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value assumptions.

Financial Instruments Carried at Fair Value

The Company's fair value measurements are based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, there is a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. Level 1 assets/liabilities are valued based on quoted prices for identical instruments in active markets, Level 2 assets/liabilities are valued based on quoted prices in active markets for similar instruments, on quoted prices in less active or inactive markets, or on other "observable" market inputs, and Level 3 assets/liabilities are valued based significantly on "unobservable" market inputs. The Company does not currently own any financial instruments that are classified as Level 3. Set forth below is information regarding the Company's financial assets and liabilities measured at fair value as of September 30, 2019 (dollars in thousands):

		Fair Value Measurements Using Fair Value Hierarchy	
	Carrying and Fair Value	**Level 1**	**Level 2**
Financial Assets:			
Interest rate swaps	$ —	—	$ —
Total Financial Assets	$ —	—	$ —
Financial Liabilities:			
Interest rate swap	$ 112	—	$ 112

Derivative financial instruments: Fair values are approximated using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. At September 30, 2019, these derivatives are included in other liabilities on the consolidated balance sheet.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with them utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. As of September 30, 2019, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative position and determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company determined that its derivatives valuation is classified in Level 2 of the fair value hierarchy.

Note 12 – Derivative Financial Instruments

Cash Flow Hedges of Interest Rate Risk

The Company's objective in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three months ended September 30, 2019, the Company accelerated the reclassification of amounts in Other comprehensive Income to earnings as a result of a hedged forecasted transaction becoming probable not to occur. The acceleration amount was a loss of $391,000.

As of September 30, 2019, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (dollars in thousands):

Interest Rate Derivative	Current Notional Amount	Fixed Rate	Maturity
Interest rate swap	$ 1,201	5.25 %	April 1, 2022
Interest rate swap	25,662	3.61 %	May 6, 2023

Non-designated Derivatives

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As a result of one mortgage refinancing of an adjustable rate loan to a fixed rate loan, at September 30, 2019, the Company had one interest rate cap with a notional value of $9,200,000 that was not designated as a hedge in a qualifying hedge relationship. At September 30, 2019, this derivative had no value.

The table below presents the fair value of the Company’s derivative financial instruments as well as its classification on the consolidated balance sheets as of the dates indicated (dollars in thousands):

Derivatives as of:			
September 30, 2019		December 31, 2018	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Other Assets	$ —	Other Assets	$ 2,434
Accounts payable and accrued liabilities	$ 112	Accounts payable and accrued liabilities	$ —

The following table presents the effect of the Company's interest rate swaps on the consolidated statements of comprehensive (loss) income for the dates indicated (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Amount of (loss) gain recognized on derivative in Other Comprehensive Income	$ (630)	$ 362	$ (2,607)	$ 1,937
Amount of (loss) gain reclassified from Accumulated Other Comprehensive Income into Interest expense	$ (307)	$ 69	$ (81)	$ 28
Total amount of Interest expense presented in the Consolidated Statement of Operations	$ 9,845	$ 8,965	$ 28,353	$ 26,408

The Company estimates an additional $25,000 will be reclassified from other comprehensive loss as a decrease to interest expense over the next twelve months.

Credit-risk-related Contingent Features

The agreement between the Company and its derivative counterparties provides that if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, the Company could be declared in default on its derivative obligations.

Note 13 – New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which prescribes a single, common revenue standard that supersedes nearly all existing revenue recognition guidance under U.S. GAAP, including most industry-specific requirements. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 outlines a five step model to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein. The Company's revenues are primarily derived from rental income, which is scoped out from this standard and is currently accounted for in accordance with ASC Topic 840, *Leases*. The Company adopted this standard effective October 1, 2018, using the modified retrospective approach, applying the provisions to open contracts as of the date of adoption. Certain revenues, such as tenant reimbursements, tenant fees, and other property income, are subject to the new guidance. The adoption of the new revenue recognition standard did not have a material impact on the consolidated financial statements and no cumulative effect adjustment was recorded upon adoption as there was no change in the amount or timing of revenue recognized.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 supersedes the current accounting for leases and while retaining two distinct types of leases, finance and operating, and requires lessees to recognize most leases on their balance sheets and makes targeted changes to lessor accounting. Further, in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements. This amendment provides a new practical expedient that allows lessors, by class of underlying asset, to avoid separating lease and associated non-lease components within a contract if the following criteria are met: (i) the timing and pattern of transfer for the non-lease component and the associated lease component are the same, and (ii) the stand-alone lease component would be classified as an operating lease if accounted for separately. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Company adopted this standard effective January 1, 2019, and its adoption did not have a material effect on the consolidated financial statements. As a lessor, the adoption of ASU 2016-02 (as amended by subsequent ASUs) did not change the timing of revenue recognition of the Company's rental revenues. As a lessee, the Company is party to a ground lease, and an operating lease with future payment obligations for which the Company recorded right-of-use assets and lease liabilities at the present value of the remaining minimum rental payments upon adoption of this standard.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows* (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which provides specific guidance on eight cash flow classification issues and how to reduce diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The effective date of the standard will be fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company adopted this standard effective October 1, 2018, using the "cumulative earnings approach" whereby distributions received from equity method investments are classified as cash flows from operations to the extent of equity earnings and then as cash flows from investing activities thereafter. The adoption of this guidance did not have a material effect on the consolidated financial statements.

In November 2016, the FASB issued ASU Update No. 2016-18, *Statement of Cash Flows* (Topic 230): Restricted Cash. The new standard requires that the statement of cash flows explain the change during the period in the combined total of cash, cash equivalents, and amounts generally described as restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose relevant information about the nature of the restrictions on the basis of their individual facts and circumstances. The Company adopted this standard effective October 1, 2018 using the retrospective approach. The adoption of this update did not have a material effect on the consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets* (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets, which amends the guidance on nonfinancial assets in ASC 610-20. The amendments clarify that (i) a financial asset is within the scope of ASC 610-20 if it meets the definition of an in substance nonfinancial asset and may include nonfinancial assets transferred within a legal entity to a counter-party, (ii) an entity should identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a counter-party and de-recognize each asset when a counter-party obtains control of it, and (iii) an entity should allocate consideration to each distinct asset by applying the guidance in ASC 606 on allocating the transaction price to performance obligations. Further, ASU 2017-05 provides guidance on accounting for partial sales of nonfinancial assets. The amendments are effective at the same time as the amendments in ASU 2014-09. The Company adopted this standard effective October 1, 2018. The adoption of this guidance did not have a material effect on the consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities*. The update better aligns a company's financial reporting for hedging activities with the economic objectives of those activities. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted. The Company adopted this standard effective January 1, 2019. The adoption of this guidance did not have a material effect on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. This update provides specific guidance for transactions for acquiring goods and services from nonemployees and specifies that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (i) financing to the issuer or (ii) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC Topic 606, Revenue from Contracts with Customers. This guidance is effective for fiscal years beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Early adoption is permitted but not earlier than the adoption of ASC Topic 606. The Company does not believe that this guidance will have a material effect on its consolidated financial statements as it has not historically issued share-based payments in exchange for goods or services to be consumed within its operations.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*, which removes, modifies, and adds certain disclosure requirements related to fair value measurements in ASC Topic 820. This guidance is effective for public companies in fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In October 2018, the FASB issued ASU 2018-16, (Topic 815): *Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) as a Benchmark Interest Rate for Hedging Purposes*. The amendments in this update permit the OIS rate based on SOFR as an eligible benchmark interest rate. The amendments in this update are effective for fiscal years beginning after December 15, 2018. The Company adopted this guidance on January 1, 2019. The Company does not believe this guidance will have a material effect on its consolidated financial statements.

Note 14 – Subsequent Events

Subsequent events have been evaluated and any significant events, relative to our consolidated financial statements as of September 30, 2019, that warrant additional disclosure, have been included in the notes to the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

With the exception of historical information, this Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended. We intend such forward-looking statements to be covered by the safe harbor provision for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may", "will", "believe", "expect", "intend", "anticipate", "estimate", "project", or similar expressions or variations thereof. Forward-looking statements involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performance or achievements. Investors are cautioned not to place undue reliance on any forward-looking statements and are urged to read *"Item 1A. Risk Factors"* in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018, and in reports we filed with the SEC thereafter.

Overview

General

We are a real estate investment trust, also known as a REIT, that is focused on the ownership, operation and development of multi-family properties. These properties derive revenue from tenant rental payments. Generally, these properties are owned by consolidated joint ventures in which we contributed 65% to 80% of the equity, with the balance of the equity contributed by our joint venture partner. At September 30, 2019, we (i) own 36 multi-family properties located in 12 states with an aggregate of 10,152 units (including 402 units at a property (*i.e*., Bells Bluff - West Nashville, TN) that commenced leasing activities in the three months ended March 31, 2019) with a carrying value of $1.1 billion and (ii) have ownership interests, through unconsolidated entities, in three multi-family properties located in two states with 1,026 units (including 339 units at a property in lease-up) with a carrying value of $18.0 million. Most of our properties are located in the southeast United States and Texas.

As used herein, the term "same store properties" refers to operating properties that were owned for the entirety of the periods being presented and excludes properties that were in development or lease-up during such periods. Retreat at Cinco Ranch, Katy, Texas, has been excluded from same store properties due to the damage it sustained from Hurricane Harvey in 2017. For the three months ended September 30, 2019 and 2018, there were 30 same store properties and for the nine months ended September 30, 2019 and 2018 there were 25 same store properties.

Change in Fiscal Year

In February 2019, we changed our fiscal year end from September 30 to December 31. The change is intended to better align our fiscal year with the fiscal year of other multi-family REITs. As a result of this change, our fiscal year began January 1, 2019 and will end December 31, 2019 .

Status of Bells Bluff Project

Leasing on the completed units at the 402-unit Bells Bluff, West Nashville, TN, property commenced in the three months ended March 31, 2019. As of September 30, 2019, all 402 units are available for lease and the occupancy rate is 49.5%. We capitalized $165,000 and $860,000 of interest expense on the mortgage debt of this property in the three and nine months ended September 30, 2019, respectively. See Note 9 of our consolidated financial statements.

Dividend Increase

On October 10, 2019, we paid a dividend of $.22 per share, representing a 10% increase over the dividend paid the prior quarter.

Acquisition During the Three Months Ended September 30, 2019

On August 8, 2019, we acquired Village at Lakeside, a 200-unit multi-family property located in Auburn, AL, for $18.4 million, including $14.5 million of mortgage debt obtained in connection with the acquisition. Based on our underwriting, we estimate that on a quarterly basis, this property will generate $1.0 million of rental revenue, $504,000 of real estate operating expense, $284,000 of interest expense and $495,000 of depreciation expense.

Disposition During the Three Months Ended September 30, 2019

On July 11, 2019, we sold Stonecrossing Apartments and Stonecrossing East Apartments, located in Houston TX, in which we had a 91% joint venture equity interest. These properties, comprised of 384 units, were sold for a gross sales price of $33.2 million and a gain of $9.9 million, of which $894,000 was allocated to the non-controlling interest. We incurred a $1.4 million prepayment charge, of which $125,000 was allocated to the non-controlling interest. During the three months ended March 31, 2019, these properties contributed $1.0 million to rental revenue, $664,000 to real estate operating expense, $205,000 to interest expense and $186,000 to depreciation.

Results of Operations – Three months ended September 30, 2019 compared to three months ended September 30, 2018.

Revenues

The following table compares our revenues for the periods indicated:

	Three Months Ended September 30,			
(Dollars in thousands):	2019	2018	Increase (Decrease)	% Change
Rental revenue	$ 33,875	$ 31,283	$ 2,592	8.3
Other income	161	198	(37)	(18.7)
Total revenues	$ 34,036	$ 31,481	$ 2,555	8.1

Rental revenue

The increase is due primarily to increases of:

- $3.4 million from four properties acquired during the twelve months ended September 30, 2019, including $301,000 from the property acquired during the current quarter,
- $1.7 million from same store properties - approximately (i) $1.1 million is due to an increase in rental rates at most of these properties, (ii) $544,000 is due to an increase in variable lease payments (*e.g.*, utility reimbursements, late fees and other rental related fees charged tenants) and (iii) $133,000 is due to an increase in occupancy at several properties, and
- $581,000 from our Bells Bluff property which is in lease-up.

Offsetting the increase is the inclusion, in the corresponding period of the prior year, of $3.1 million from the four properties sold from July 1, 2018 to September 30, 2019, including $900,000 from the two properties sold during the current period.

Expenses

The following table compares our expenses for the periods indicated:

	Three Months Ended September 30,			
(Dollars in thousands)	2019	2018	Increase (Decrease)	% Change
Real estate operating expenses	$ 16,281	$ 15,661	$ 620	4.0
Interest expense	9,845	8,965	880	9.8
General and administrative	2,430	2,002	428	21.4
Depreciation	9,950	10,416	(466)	(4.5)
Total expenses	$ 38,506	$ 37,044	$ 1,462	3.9

Real estate operating expenses.

The increase is due primarily to increases of:

- $1.5 million from four properties acquired during the twelve months ended September 30, 2019, including $145,000 from the property acquired during the current quarter,
- $445,000 from Bells Bluff, which was in development in the corresponding period of the prior year and is currently in lease-up, and
- $228,000 from same store properties - approximately $178,000 of miscellaneous expenses (*e.g.,* leasing, advertising and administrative) and $103,000 from increased compensation costs due to increased staffing as we filled vacant positions at several properties. These were offset by a decline of $273,000 of real estate taxes primarily due to refunds from tax appeals at a property from prior years.

Offsetting the increase is the inclusion, in the corresponding period of the prior year, of $1.6 million of expense related to the four properties sold from July 1, 2018 to September 30, 2019, including $532,000 from the two properties sold during the current period and $113,000 of increased operating expenses at our Cinco Ranch property which is now fully operational after having sustained damage from Hurricane Harvey in 2017.

Interest expense.

The increase is due primarily to increases of:

- $1.1 million from interest on mortgages on four properties acquired during the twelve months ended September 30, 2019, including $84,000 from the property acquired during the current quarter,
- $421,000 related to the Bells Bluff property which is in lease-up - in the corresponding period of the prior year, the entire property was in development and interest of $147,000 was capitalized, and
- $79,000 related to the increase in the (i) outstanding balance on our credit facility and (ii) interest rate on our floating rate subordinated debt.

Offsetting the increase is the inclusion, in the corresponding period of the prior year, of $721,000 of interest expense related to mortgages on four properties sold from July 1, 2018 to September 30, 2019, including $145,000 from two properties sold during the current period.

General and administrative.

The increase is due primarily to the reversal in the corresponding 2018 quarter, of $309,000 of amortization expense relating to restricted stock units which we did not believe would satisfy the return on capital performance metric. See Note 3 to the consolidated financial statements.

Depreciation.

The decrease is due primarily to decreases of:

- $1.1 million from same store properties due to the reduction of amortization, in the ordinary course of business, of tenant origination costs at several properties, and
- $927,000 from properties sold from July 1, 2018 to September 30, 2019.

Offsetting this decrease is the inclusion of :

- $1.5 million from four properties acquired during the twelve months ended September 30, 2019, including $150,000 from the property acquired in the current quarter, and

- $314,000 from our Bells Bluff property which currently is in lease-up but which was in development in the corresponding period of the prior year.

Other Income and Expenses

The following table compares our other income and expenses for the periods indicated:

	Three Months Ended September 30,			
(Dollars in thousands)	**2019**	**2018**	**Increase (Decrease)**	**% Change**
Equity in loss of unconsolidated joint ventures	(259)	$ (174)	$ (85)	48.9
Gain on sale of real estate	9,938	424	9,514	2243.9
Gain on insurance recoveries	—	1,272	(1,272)	N/A
Loss on extinguishment of debt	(1,766)	—	(1,766)	N/A
Total other income and expenses	$ 7,913	$ 1,522	$ 6,391	419.9 %

Gain on sale of real estate. During the three months ended September 30, 2019, we sold two properties for an aggregate sales price of $33.2 million and recognized an aggregate gain of $9.9 million, of which $894,000 was allocated to the non-controlling partner. In the corresponding period in the prior year we sold a cooperative apartment unit and recognized a gain of $424,000

Gain on insurance recoveries. During the three months ended September 30, 2018, we recognized a $1.3 million gain from the receipt of insurance proceeds related to our Cinco Ranch Property, Houston, TX, representing the insurance proceeds received in excess of the assets written-off.

Loss on extinguishment of debt. During the three months ended September 30, 2019, we incurred $1.4 million of mortgage prepayment charges in connection with the sale of the Stone Crossing and Stone Crossing East Apartments, Houston, TX, and we incurred a swap termination fee of $379,000 in connection with the refinancing from a variable rate mortgage to a fixed rate mortgage at Alamo Ranch, San Antonio, TX.

Results of Operations – nine months ended September 30, 2019 compared to nine months ended September 30, 2018.

Revenues

The following table compares our revenues for the periods indicated:

	Nine Months Ended September 30,			
(Dollars in thousands):	**2019**	**2018**	**Increase (Decrease)**	**% Change**
Rental revenue	$ 97,507	$ 90,710	$ 6,797	7.5
Other income	595	576	19	3.3
Total revenues	$ 98,102	$ 91,286	$ 6,816	7.5

Rental revenue

The increase is due primarily to increases of:

- $7.1 million from four properties acquired during the twelve months ended September 30, 2019, including $4.5 million from three properties acquired during the current period,
- $4.2 million from the inclusion, for the entire nine months ended September 30, 2019, of four properties that were only owned for a portion of the corresponding period in the prior year,
- $3.2 million from same store properties - approximately (i) $1.8 million is due to an increase in rental rates at most of these properties, (ii) $939,000 is due to increases in variable lease payments (*i.e.*, utility reimbursements, late fees and other rental related fees charged to tenants) and (iii) $551,000 is due to an increase in occupancy at several properties, and
- $1.1 million, of which $802,000 is from Bells Bluff which is in lease-up, and $292,000 from Vanguard which was in lease-up in the corresponding period of the prior year.

Offsetting this increase is the inclusion, in the corresponding period of the prior year, of $8.9 million from the six properties sold from January 1, 2018 to September 30, 2019.

Expenses

The following table compares our expenses for the periods indicated:

	Nine Months Ended September 30,			
(Dollars in thousands)	**2019**	**2018**	**Increase (Decrease)**	**% Change**
Real estate operating expenses	$ 47,195	$ 44,318	$ 2,877	6.5
Interest expense	28,353	26,408	1,945	7.4
General and administrative	7,455	6,907	548	7.9
Depreciation	29,914	29,856	58	0.2
Total expenses	$ 112,917	$ 107,489	$ 5,428	5.0

Real estate operating expenses.

The increase is due primarily to increases of:

- $3.2 million from four properties acquired during the twelve months ended September 30, 2019, including $1.9 million from three properties acquired during the current period,
- $2.5 million from the inclusion, for the entire nine months ended September 30, 2019, of four properties that were only owned for a portion of the corresponding period in the prior year, and
- $936,000 from same store properties, including $348,000 due to increased staffing as we filled vacant positions at several properties, $300,000 from increased replacements, repairs and maintenance due to unit turns at several properties, approximately $222,000 of other general operating expenses due primarily to increased cable costs incurred to generate cable revenue from tenants and $109,000 due to increased insurance expense resulting from higher premiums on policy renewals.

Offsetting the increase is the inclusion, in the corresponding period in the prior year, of $4.9 million of expense related to the six properties sold from January 1, 2018 to September 30, 2019.

General and administrative.

The increase is due to the reversal in the corresponding 2018 period, of $309,000 of amortization expense relating to restricted stock units, increased stock amortization expense of $128,000 and increased salaries of $109,000. See Note 3 to the consolidated financial statements.

Interest expense.

The increase is due primarily to increases of:

- $2.3 million from four properties acquired during the twelve months ended September 30, 2019, including $961,000 from two properties acquired during the current period,
- $717,000 from the inclusion, for the entire nine months ended September 30, 2019, of four properties that were only owned for a portion of the corresponding period in the prior year,
- $698,000 related to the Bells Bluff property which is currently in lease-up - in the corresponding period of the prior year, the property was in development and interest of $174,000 was capitalized, and
- $319,000, of which $153,000 is due to the increase in the outstanding balance on our credit facility and $166,000 is due to the increase in the interest rate on our floating rate subordinated debt.

Offsetting the increase is the inclusion, in the corresponding period of the prior year, of $2.3 million of expense related to the six properties sold from January 1, 2018 to September 30, 2019.

Other Income and Expenses

The following table compares our other income and expenses for the periods indicated:

(Dollars in thousands)	Nine Months Ended September 30, 2019	2018	Increase (Decrease)	% Change
Equity in loss of unconsolidated joint ventures	(643)	$ (364)	$ (279)	76.6
Gain on sale of real estate	9,938	52,405	(42,467)	(81.0)
Gain on insurance recoveries	517	4,499	(3,982)	(88.5)
Loss on extinguishment of debt	(1,766)	(593)	(1,173)	197.8
Total other income and expenses	$ 8,046	$ 55,947	$ (47,901)	(85.6)%

Equity in loss of unconsolidated joint ventures. The increase in the loss is due primarily to the inclusion of depreciation and interest expense at a Columbia, SC property that was in development in the corresponding period in the prior year and is now in lease-up.

Gain on sale of real estate. During the nine months ended September 30, 2019 we sold two properties for an aggregate sales price of $33.2 million and recognized an aggregate gain of $9.9 million of which $894,000 was allocated to the non-controlling partner. During the nine months ended September 30, 2018, we sold three properties and a cooperative apartment unit for an aggregate sales price of $148.7 million and recognized a gain of $52.0 million, of which $25.1 million was allocated to the non-controlling partner.

Gain on insurance recoveries. In the current nine months, we recognized a $517,000 gain from the receipt of insurance proceeds related to Waterside - Indianapolis, IN. During the nine months ended September 30, 2018, we recognized a $3.2 million gain from the receipt of insurance proceeds related to Retreat at Cinco Ranch - Katy, TX. In each case, the gain represents the insurance proceeds received in excess of the assets written-off.

Loss on extinguishment of debt. In the nine months ended September 30, 2019, we incurred $1.4 million of mortgage prepayment charges in connection with the sale of the Stone Crossing and Stone Crossing East Apartments - Houston, TX and a swap termination fee of $379,000 in connection with the refinancing, to a fixed rate, of the mortgage of the Alamo Ranch, San Antonio, TX property. During the nine months ended September 30, 2018, we incurred $593,000 of mortgage prepayment charges in connection with the sale of The Fountains Apartments - Palm Beach Gardens, FL.

Income tax provision (benefit).

For the nine months ended September 30, 2019, we recognized an income tax provision of $219,000 compared to a net income tax benefit of $55,000 in the corresponding period of the prior year. The 2018 period includes a state tax refund related to a property sold prior to 2018.

Liquidity and Capital Resources

We require funds to pay operating expenses and debt service, acquire properties, make capital improvements and pay dividends. Generally, our primary sources of capital and liquidity are the operations of our multi-family properties (including distributions from the joint ventures that own such properties), mortgage debt financings and refinancings, equity contributions for acquisitions from our joint venture partners, our share of the proceeds from the sale of properties, the sale of shares of our common stock pursuant to our at-the-market equity distribution program, our credit facility and our available cash (including restricted cash). Our available liquidity at November 1, 2019, was $32.4 million, including $14.4 million of cash and cash equivalents, $10.8 million of restricted cash and, subject to borrowing base requirements, up to $7.2 million available under our credit facility.

We anticipate that (i) our operating expenses, dividend payments and $85.2 million (as of September 30, 2019) of interest expense and mortgage amortization payments over the next two years will be funded from cash generated from the operations of our multi-family properties and, to the extent such sources are insufficient, from mortgage refinancing, sales of properties, or sales of our common stock.

Capital improvements at (i) 19 multi-family properties will be funded by approximately $10.8 million of restricted cash available at September 30, 2019 and the cash flow from operations at such properties and (ii) other properties will be funded from the cash flow from operations of such properties.

Our ability to acquire additional multi-family properties is limited by our available cash, and our ability to (i) draw on our credit facility and (ii) obtain, on acceptable terms, equity contributions from joint venture partners and mortgage debt from lenders. Further, if and to the extent we generate ordinary taxable income, we will be required to make distributions to stockholders to maintain our REIT status and as a result, will be limited in our ability to use gains, if any, from property sales, as a source of funds for operating expenses, debt service and property acquisitions.

We anticipate that the costs associated with completing the Bells Bluff project will be funded by the remaining in-place construction financing of up to $2.6 million.

Credit Facility

We entered into a credit facility dated April 18, 2019, as amended, with VNB New York, LLC, an affiliate of Valley National Bank. The facility allows us to borrow, subject to compliance with borrowing base requirements and other conditions, up to $10 million. The facility is available for the acquisition of, and investment in, multi-family properties, is secured by the cash available in certain cash accounts maintained by the Company at VNB, matures April 2021 and bears an annual interest rate of 50 basis points over the prime rate, with a floor of 5%. There is an unused facility fee of 0.25% per annum on the difference between the outstanding loan balance and maximum amount then available under the facility.

The terms of the facility include certain restrictions and covenants which limit, among other things, the incurrence of liens, and which require compliance with financial ratios relating to, among other things, the minimum amount of debt service coverage with respect to the properties (and amounts drawn on the facility) used in calculating the borrowing base, the minimum number of wholly owned properties and the minimum number of properties used in calculating the borrowing base. Net proceeds received from the sale, financing or refinancing of wholly owned properties are generally required to be used to repay amounts outstanding under the facility.

Cash Distribution Policy

We have elected to be treated as a REIT under the Internal Revenue Code of 1986, as amended, which we refer to as the "Code." To qualify as a REIT, accordingly we must meet a number of organizational and operational requirements, including a requirement that we distribute to our stockholders within the time frames prescribed by the Code at least 90% of our ordinary taxable income. Management currently intends to maintain our REIT status. As a REIT, we generally will not be subject to corporate Federal income tax on taxable income we distribute to stockholders in accordance with the Code. If we fail to qualify as a REIT in any taxable year, we will be subject to Federal income taxes at regular corporate rates and may not be able to qualify as a REIT for four subsequent tax years. Even if we qualify for Federal taxation as a REIT, we are subject to certain state and local taxes on our income and to Federal income and excise taxes on undistributed taxable income, (*i.e*., taxable income not distributed in the amounts and in the time frames prescribed by the Code).

Our net operating loss at December 31, 2018 is approximately $16.8 million; therefore, we are not currently required by Code provisions relating to REITs to pay cash dividends to maintain our status as a REIT. Notwithstanding the foregoing, on each of April 5, 2019 and July 9, 2019 we paid a cash dividend of $0.20 per share and on October 10, 2019 we paid a cash dividend of $.22 per share. Though we currently intend to continue to pay cash dividends on a quarterly basis, we cannot provide any assurance that we will do so.

Off Balance Sheet Arrangements

None.

Funds from Operations; Adjusted Funds from Operations

We disclose below funds from operations ("FFO") and adjusted funds from operations ("AFFO") because we believe that such metrics are a widely recognized and appropriate measure of the performance of an equity REIT.

We compute FFO in accordance with the "White Paper on Funds From Operations" issued by the National Association of Real Estate Investment Trusts ("NAREIT") and NAREIT's related guidance. FFO is defined in the White Paper as net income (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, impairment write-downs of certain real estate assets and investments in entities where the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis. In computing FFO, we do not add back to net income the amortization of costs in connection with our financing activities or depreciation of non- real estate assets.We compute AFFO by deducting from FFO our straight-line rent accruals, loss on extinguishment of debt, restricted stock and restricted stock unit expense, deferred mortgage costs and gain on insurance recovery. Since the NAREIT White Paper only provides guidelines for computing FFO, the computation of AFFO may vary from one REIT to another.

We believe that FFO and AFFO are useful and standard supplemental measures of the operating performance for equity REITs and are used frequently by securities analysts, investors and other interested parties in evaluating equity REITs, many of which present FFO and AFFO when reporting their operating results. FFO and AFFO are intended to exclude GAAP historical cost depreciation and amortization of real estate assets, which assumes that the carrying value of real estate assets diminishes predictably over time. In fact, real estate values have historically risen and fallen with market conditions. As a result, we believe that FFO and AFFO provide a performance measure that when compared year over year, should reflect the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs and other matters without the inclusion of depreciation and amortization, providing a perspective that may not be necessarily apparent from net income. We also consider FFO and AFFO to be useful to us in evaluating potential property acquisitions.

FFO and AFFO do not represent net income or cash flows from operations as defined by GAAP. FFO and AFFO should not be considered to be an alternative to net income as a reliable measure of our operating performance; nor should FFO and AFFO be considered an alternative to cash flows from operating, investing or financing activities (as defined by GAAP) as measures of liquidity. FFO and AFFO do not measure whether cash flow is sufficient to fund all of our cash needs, including principal amortization and capital improvements. FFO and AFFO do not represent cash flows from operating, investing or financing activities as defined by GAAP.

Management recognizes that there are limitations in the use of FFO and AFFO. In evaluating our performance, management is careful to examine GAAP measures such as net income and cash flows from operating, investing and financing activities.

The tables below provides a reconciliation of net loss determined in accordance with Generally Accepted Accounting Principles ("GAAP") to FFO and AFFO on a dollar and per share basis for each of the indicated periods (amounts in thousands):

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
GAAP Net (loss) income attributable to common stockholders	$ 3,272	$ (3,111)	$ (5,292)	$ 17,422
Add: depreciation of properties	9,950	10,416	29,914	29,856
Add: our share of depreciation in unconsolidated joint ventures	562	386	1,496	1,218
Deduct: gain on sale of real estate	(9,938)	(424)	(9,938)	(52,405)
Adjustments for non-controlling interests	(1,884)	(3,187)	(7,677)	16,059
NAREIT Funds from operations attributable to common stockholders	1,962	4,080	8,503	12,150
Adjustments for: straight-line rent accruals	(10)	(10)	(30)	(30)
Add: loss on extinguishment of debt	1,766	—	1,766	593
Add: amortization of restricted stock and restricted stock units	372	15	1,110	673
Add: amortization of deferred mortgage costs	408	317	1,345	1,073
Deduct gain on insurance recovery	—	(1,272)	(517)	(4,498)
Adjustments for non-controlling interests	(321)	250	(410)	597
Adjusted funds from operations attributable to common stockholders	$ 4,177	$ 3,380	$ 11,767	$ 10,558

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
GAAP Net (loss) income attributable to common stockholders	$ 0.20	$ (0.20)	$ (0.33)	$ 1.16
Add: depreciation of properties	0.63	0.66	1.89	1.99
Add: our share of depreciation in unconsolidated joint ventures	0.03	0.03	0.09	0.08
Deduct: gain on sale of real estate	(0.62)	(0.03)	(0.63)	(3.50)
Adjustment for non-controlling interests	(0.12)	(0.20)	(0.48)	1.07
NAREIT Funds from operations per common stock basic and diluted	0.12	0.26	0.54	0.80
Adjustments for: straight line rent accruals	—	—	—	—
Add: loss on extinguishment of debt	0.11	—	0.11	0.04
Add: amortization of restricted stock and restricted stock units	0.02	—	0.07	0.04
Add: amortization of deferred mortgage costs	0.03	0.01	0.08	0.07
Deduct gain on insurance recovery	—	(0.08)	(0.03)	(0.30)
Adjustments for non-controlling interests	(0.02)	0.02	(0.03)	0.04
Adjusted funds from operations per common stock basic and diluted	$ 0.26	$ 0.21	$ 0.74	$ 0.69

Item 3. Quantitative and Qualitative Disclosures About Market Risks

All of our mortgage debt is fixed rate, other than three mortgages, two of which are subject to interest rate swap agreements that effectively fix the rate at a fixed rate. With respect to the mortgage not subject to an interest rate swap, an increase of 100 basis points in interest rates would reduce annual net income by $448,000 and a decrease of 100 basis points would increase annual net income by $448,000.

As of September 30, 2019, we had two interest rate swap agreements outstanding and an interest rate cap. The fair value of these derivative instruments is dependent upon existing market interest rates and swap spreads, which change over time. At September 30, 2019, if there had been (i) an increase of 100 basis points in forward interest rates, the fair market value of these derivative instruments and the net unrealized gain thereon would have increased by approximately $866,000 and (ii) if there had been a decrease of 100 basis points in forward interest rates, the fair market value of these derivatives and the net unrealized gain thereon would have decreased by approximately $901,000. These changes would not have any impact on our net income or cash.

Our junior subordinated notes bear interest at the rate of three month LIBOR plus 200 basis points. At September 30, 2019, the interest rate on these notes was 4.27%. A 100 basis point increase in the rate would increase our related interest expense by approximately $374,000 annually and a 100 basis point decrease in the rate would decrease our related interest expense by $374,000 annually.

As of September 30, 2019, based on the number of residential units in each state, 27% of our properties are located in Texas, 15% in Georgia, 12% in Florida, 9% in Alabama, 8% in Mississippi, 7% in Tennessee, 7% in South Carolina, and the remaining 15% in five other states; we are therefore subject to risks associated with the economies in these areas.

Item 4. Controls and Procedures

As required under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer, Senior Vice President-Finance and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2019. Based upon that evaluation, the Chief Executive Officer, Senior Vice President-Finance and Chief Financial Officer concluded that our disclosure controls and procedures as of September 30, 2019 are effective.

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Part II - Other Information

Item 1. Legal Proceedings

A wholly-owned subsidiary of ours that owns a property in Houston, TX is named as a defendant, along with multiple defendants in an action (*Takakura et al. v. Houston Pizza Venture, LP, and Papa John's USA., Inc. et.al.*, 129th Judicial District, Harris County, Texas, Cause No. 2019-42425), alleging the wrongful death as a result of a homicide of a delivery person at our property. The complaint seeks compensatory damages in an unspecified amount in excess of $1 million and an unspecified amount of exemplary damages. Our primary insurance carrier is defending the claim; we believe we have sufficient primary and umbrella insurance to cover the claim for compensatory damages. Insurance generally does not cover claims for exemplary damages.

Item 6. Exhibits

Exhibit No.	Title of Exhibits
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Senior Vice President—Finance pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Certification of Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Senior Vice President—Finance pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3	Certification of Vice President and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements. XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Date File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRT APARTMENTS CORP.

November 7, 2019	/s/ Jeffrey A. Gould
	Jeffrey A. Gould, President and Chief Executive Officer
November 7, 2019	/s/ George Zweier
	George Zweier, Vice President and Chief Financial Officer (principal financial officer)

EXHIBIT 31.1
CERTIFICATION

I, Jeffrey A. Gould, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of BRT Apartments Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

Date: November 7, 2019

/s/ Jeffrey A. Gould
Jeffrey A. Gould
President and
Chief Executive Officer

EXHIBIT 31.2
CERTIFICATION

I, David W. Kalish, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of BRT Apartments Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

Date: November 7, 2019

/s/ David W. Kalish
David W. Kalish
Senior Vice President - Finance

EXHIBIT 31.3

CERTIFICATION

I, George Zweier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of BRT Apartments Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

Date: November 7, 2019

/s/ George Zweier

George Zweier

Vice President and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Jeffrey A. Gould, do hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of BRT Apartments Corp. (“the Registrant”), as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

Date: November 7, 2019

/s/ Jeffrey A. Gould
Jeffrey A. Gould
President and
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF SENIOR VICE PRESIDENT-FINANCE

PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, David W. Kalish, do hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of BRT Apartments Corp. ("the Registrant"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

Date: November 7, 2019

/s/ David W. Kalish
David W. Kalish
Senior Vice President - Finance

EXHIBIT 32.3

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, George Zweier, do hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of BRT Apartments Corp. ("the Registrant"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

Date: November 7, 2019

/s/ George Zweier
George Zweier
Vice President and
Chief Financial Officer