

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): December 14, 2017

BRT APARTMENTS CORP.
(Exact name of Registrant as specified in charter)

| | | |
|--|-----------------------|-------------------------|
| Maryland | 001-07172 | 13-2755856 |
| (State or other jurisdiction of incorporation) | (Commission file No.) | (IRS Employer I.D. No.) |

| | |
|---|--------------|
| <u>60 Cutter Mill Road, Suite 303, Great Neck, New York 11021</u> | <u>11021</u> |
| (Address of principal executive offices) | (Zip code) |

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405) of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 and Item 7.01. Results of Operations and Financial Condition; Regulation FD Disclosure.

On December 14, 2017, we issued a press release announcing our results of operations for the three months and year ended September 30, 2017. The press release refers to certain supplemental financial information available on our website. The press release and the supplemental financial information are furnished as Exhibit 99.1 and Exhibit 99.2, respectively, to this Current Report on Form 8-K and are incorporated herein by reference. The information in this Item 2.02 and 7.01, including the information included in Exhibits 99.1 and 99.2, shall not be deemed to be “filed” for purposes of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and shall not be incorporated by reference into any registration statement or other document filed under the Exchange Act or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits relating to Items 2.02 and 7.01 of this Current Report on Form 8-K are intended to be furnished to, not filed with, the SEC.

Exhibit

| <u>No.</u> | <u>Description</u> |
|-----------------------------|--|
| <u>99.1</u> | Press release dated December 14, 2017. |
| <u>99.2</u> | Supplemental Financial Information. |

SIGNATURE

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

BRT APARTMENTS CORP.

December 14, 2017

By: /s/ George Zweier
George Zweier, Vice President
and Chief Financial Officer

**BRT APARTMENTS CORP.
REPORTS FOURTH QUARTER AND
FISCAL YEAR 2017 RESULTS**

~ Reports Net Income of \$0.97 per Diluted Share for 2017 ~
~ Completes More than \$253 Million of Acquisitions in 2017 ~
~ Initiated a Quarterly Dividend ~

Great Neck, New York - December 14, 2017 - BRT APARTMENTS CORP. (NYSE:BRT) today announced its results of operations for the quarter and fiscal year ended September 30, 2017.

Jeffrey A. Gould, President and Chief Executive Officer of BRT commented: "It was a successful and active transactional year for us with \$253 million of acquisitions as we continued to strengthen our portfolio and position the Company for continued success. We also initiated a quarterly dividend which demonstrates our confidence in our business model. We enter 2018 with a positive outlook for our portfolio and on our ability to continue to source accretive transactions as we prepare for the next stage of BRT's growth."

Results for the Three Months Ended September 30, 2017:

Net income attributable to common stockholders for the fourth quarter of 2017 was \$5.5 million, or \$0.39 per diluted share, compared to net income attributable to common stockholders of \$2.9 million, or \$0.21 per diluted share, for the 2016 period. Net income for the 2017 period includes \$16.8 million of gain on sale of real estate. In accordance with an industry wide change in accounting standards, property acquisition costs of \$377,000 were capitalized. Net income for the 2016 period includes \$11.4 million of gain on sale of real estate and reflects expenses of \$1.4 million of property acquisition costs.

Funds from Operations, or FFO, were \$3.1 million or \$0.22 per diluted share, in the fourth quarter of 2017, compared to \$824,000, or \$0.06 per diluted share, in the 2016 period. Adjusted Funds from Operations, or AFFO, were \$3.9 million, or \$0.27 per diluted share, in the fourth quarter of 2017, compared to AFFO of \$2.4 million, or \$0.18 per diluted share, in the 2016 period.

Total revenues for the three months ended September 30, 2017 grew 9.7% to \$28.4 million from \$25.9 million for the three months ended September 30, 2016. Total revenues increased primarily due to the operations of the multi-family properties acquired in 2017 and 2016. Total expenses for the current three months were \$32.5 million compared to \$28.9 million for the three months ended September 30, 2016 primarily due to additional operating expenses, interest expense and depreciation relating to multi-family properties acquired in 2017 and 2016.

Results for the Year Ended September 30, 2017:

Net income attributable to common stockholders in 2017 was \$13.6 million, or \$0.97 per diluted share, compared to net income of \$31.3 million, or \$2.23 per diluted share, in 2016. Net income for 2017 includes \$52.6 million of gain on sale of real estate. In accordance with the industry wide change in accounting standards, property acquisition costs of \$3.4 million were capitalized. The 2016 results include \$12.7 million of income from the discontinued operations of the Newark Joint Venture, \$46.5 million of gain on sale of real estate and \$3.9 million of property acquisition costs, which were expensed. FFO was \$9.3 million, or \$0.67 per diluted share, in 2017, compared to \$6.6 million, or \$0.47 per diluted share, in 2016. AFFO was \$12.3 million, or \$0.88 per diluted share, in 2017, compared to \$10.9 million, or \$0.78 per diluted share, in 2016.

Total revenues rose 7.4% to \$105.8 million from \$98.5 million in 2016. The increase is due to the revenues generated by multi-family properties acquired in 2017 and 2016.

Total expenses were \$119.3 million as compared to \$107.7 million in 2016 due primarily to additional operating expenses, depreciation and interest expense related to the multi-family properties acquired in 2017 and 2016.

Transaction Activity:

The Company continued to actively manage its portfolio through its opportunistic purchase and sale activities in 2017, completing over \$423 million in cumulative transactions. Acquisitions contributed approximately \$253.4 million of the total and dispositions of assets totaled approximately \$169.8 million. Net proceeds from the dispositions are being reinvested in assets with longer-term potential. The Company's weighted average internal rate of return for the sales completed in 2017 is 27.9%.

At September 30, 2017, BRT owns 33 multi-family properties with an aggregate of 9,568 units. The majority of the Company's properties are located in the Southeast United States and Texas.

Capital Markets:

On September 12, 2017, the Board of Directors renewed, effective October 1, 2017, the Company's stock buyback plan which authorizes the Company to repurchase up to \$5 million of common stock. The repurchase program will be in effect through September 30, 2019.

Balance Sheet:

At September 30, 2017, the Company had \$12.4 million of cash and cash equivalents, total assets of \$993.9 million, total debt of \$734.8 million, net of \$6.7 million of deferred costs, and total stockholders' equity of \$166.0 million. At November 30, 2017, the Company had approximately \$20.3 million of cash and cash equivalents.

Dividend Initiation:

On September 12, 2017, the Board of Directors initiated and declared a dividend of \$0.18 per share of common stock. The dividend was payable on October 4, 2017 to stockholders of record on September 25, 2017.

On December 5, 2017, the Board of Directors declared a dividend of \$0.18 per share, payable on January 5, 2018 to stockholders of record on December 22, 2017.

Subsequent Events:

Subsequent to September 30, 2017, the Company sold Waverly Place Apartments, a multi-family property located in Melbourne, Florida, for a sales price of \$22.3 million. The Company estimates that its share of the gain, which will be recognized in the first quarter of fiscal 2018, will be approximately \$9.9 million.

On December 7, 2017, BRT, through a joint venture in which it has an 80% ownership interest, purchased a 204 unit, multi-family property located in Madison, Alabama for \$18.4 million, including a ten year, 4.08% fixed rate mortgage of \$15 million. The property, Magnolia Pointe at Madison, was built in 1991 and features large units with up to four bedrooms.

Supplemental Financial Information:

In an effort to enhance its financial disclosures to investors, BRT has posted a supplemental financial information report which can be accessed on the Company's website at www.brtapartments.com under the caption "Investor Relations - Financial Statements and SEC Filings."

Non-GAAP Financial Measures:

BRT discloses FFO and AFFO because it believes that such metrics are widely recognized and appropriate measure of the performance of an equity REIT.

BRT computes 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 (loss) (computed in accordance with generally accepting accounting principles), excluding gains (or losses) from sales of property, plus depreciation and amortization, plus impairment write-downs of depreciable real estate and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. In computing FFO, BRT does not add back to net income the amortization of costs in connection with its financing activities or depreciation of non-real estate assets. BRT computes AFFO by adjusting FFO for loss on extinguishment of debt, straight-line rent accruals, restricted stock and restricted stock unit expense and deferred mortgage costs (including its share of its unconsolidated joint ventures). Since the NAREIT White Paper only provides guidelines for computing FFO, the computation of AFFO may vary from one REIT to another.

BRT believes 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 assures that the value of real estate assets diminish predictability over time. In fact, real estate values have historically risen and fallen with market conditions. As a result, BRT believes 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. BRT also considers FFO and AFFO to be useful 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.

Management recognizes that there are limitations in the use of FFO and AFFO. In evaluating BRT's performance, management is careful to examine GAAP measures such as net income (loss) and cash flows from operating, investing and financing activities. Management also reviews the reconciliation of net income (loss) to FFO and AFFO.

Forward Looking Information:

Certain information contained herein is forward looking within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. BRT intends such forward looking statements to be covered by the safe harbor provisions for forward looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes 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," "apparent," "experiencing" or similar expressions or variations thereof. Forward looking statements, including statements with respect to BRT's multi-family property acquisition and ownership activities, involve known and unknown risks, uncertainties and other factors, which, in some cases, are beyond BRT's control and could materially affect actual results, performance or achievements. Investors are cautioned not to place undue reliance on any forward-looking statements and to carefully review the section entitled "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended September 30, 2017.

Additional information:

BRT is a real estate investment trust that owns, operates and develops multi-family properties, and owns, operates and develops other commercial and mixed use real estate assets. Interested parties are urged to review the Form 10-K filed with the Securities and Exchange Commission for the year ended September 30, 2017 for further details. The Form 10-K can also be linked through the "Investor Relations" section of BRT's website. For additional information on BRT's operations, activities and properties, please visit its website at www.brtapartments.com.

Contact: Investor Relations

BRT APARTMENTS CORP.

60 Cutter Mill Road
Suite 303
Great Neck, New York 11021
Telephone (516) 466-3100
Telecopier (516) 466-3132
www.BRTApartments.com

BRT APARTMENTS CORP. AND SUBSIDIARIES
CONDENSED BALANCE SHEETS
(Dollars in thousands)

| | September 30, 2017 | September 30, 2016 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Real estate properties, net of accumulated depreciation | \$ 902,281 | \$ 759,576 |
| Real estate loan | 5,500 | 19,500 |
| Cash and cash equivalents | 12,383 | 27,399 |
| Restricted cash | 6,151 | 7,383 |
| Other assets | 58,613 | 27,045 |
| Real estate properties held for sale | 8,969 | 33,996 |
| Total Assets | <u>\$ 993,897</u> | <u>\$ 874,899</u> |
| LIABILITIES AND EQUITY | | |
| Mortgages payable | \$ 697,826 | \$ 588,457 |
| Junior subordinated notes | 37,018 | 36,998 |
| Accounts payable and accrued liabilities | 22,348 | 20,716 |
| Mortgage payable held for sale | — | 27,052 |
| Total Liabilities | <u>757,192</u> | <u>673,223</u> |
| Total BRT Apartments Corp. stockholders' equity | 165,996 | 151,290 |
| Non-controlling interests | 70,709 | 50,386 |
| Total Equity | <u>236,705</u> | <u>201,676</u> |
| Total Liabilities and Equity | <u>\$ 993,897</u> | <u>\$ 874,899</u> |

BRT APARTMENTS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)

| | Three Months Ended September 30, | | Twelve Months Ended September 30, | |
|--|-------------------------------------|-----------------|--------------------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | |
| Rental and other revenues from real estate properties | 28,073 | 25,211 | \$ 104,477 | \$ 95,202 |
| Other income | 314 | 678 | 1,294 | 3,319 |
| Total revenues | 28,387 | 25,889 | 105,771 | 98,521 |
| Expenses: | | | | |
| Real estate operating expenses | 13,641 | 12,342 | 51,279 | 47,519 |
| Interest expense | 7,902 | 6,284 | 28,171 | 23,878 |
| Advisor's fees, related party | — | — | — | 693 |
| Property acquisition costs | — | 1,434 | — | 3,852 |
| General and administrative | 2,100 | 2,134 | 9,396 | 8,536 |
| Depreciation | 8,861 | 6,693 | 30,491 | 23,180 |
| Total expenses | 32,504 | 28,887 | 119,337 | 107,658 |
| Total revenue less total expenses | (4,117) | (2,998) | (13,566) | (9,137) |
| Equity in loss of unconsolidated joint ventures | (77) | — | (384) | — |
| Gain on sale of real estate | 16,763 | 11,379 | 52,601 | 46,477 |
| Gain on sale of partnership interest | — | — | — | 386 |
| Loss on extinguishment of debt | (664) | (1,879) | (1,463) | (4,547) |
| Income from continuing operations | 11,905 | 6,502 | 37,188 | 33,179 |
| Provision for taxes | 61 | 700 | 1,560 | 700 |
| Income from continuing operations, net of taxes | 11,844 | 5,802 | 35,628 | 32,479 |
| Income (loss) from discontinued operations | — | — | — | 12,679 |
| Net income (loss) | 11,844 | 5,802 | 35,628 | 45,158 |
| (Income) attributable to non-controlling interests | (6,383) | (2,895) | (22,028) | \$ (13,869) |
| Net income (loss) attributable to common stockholders | \$ 5,461 | \$ 2,907 | 13,600 | 31,289 |
| Basic and diluted per share amounts attributable to common stockholders: | | | | |
| Income (loss) from continuing operations | \$ 0.39 | \$ 0.21 | \$ 0.97 | \$ 1.21 |
| Income (loss) from discontinued operations | — | — | — | 1.02 |
| Basic and diluted earnings (loss) per share | \$ 0.39 | \$ 0.21 | \$ 0.97 | \$ 2.23 |
| Funds from operations - Note 1 | | | | |
| | 3,080 | 824 | \$ 9,349 | \$ 6,643 |
| Funds from operations per common share - diluted - Note 2 | \$ 0.22 | \$ 0.06 | \$ 0.67 | \$ 0.47 |
| Adjusted funds from operations - Note 1 | | | | |
| | \$ 3,880 | \$ 2,414 | \$ 12,298 | \$ 10,911 |
| Adjusted funds from operations per common share - diluted - Note 2 | \$ 0.27 | \$ 0.18 | \$ 0.88 | \$ 0.78 |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 14,023,735 | 13,903,639 | 13,993,638 | 14,017,279 |
| Diluted | 14,123,735 | 13,903,639 | 14,018,843 | 14,017,279 |

BRT APARTMENTS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)

| | Three Months Ended September 30, | | Twelve Months Ended September 30, | |
|---|-------------------------------------|-----------------|--------------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Note 1: | | | | |
| Funds from operations is summarized in the following table: | | | | |
| Net income attributable to common stockholders | \$ 5,461 | \$ 2,907 | \$ 13,600 | \$ 31,289 |
| Add: depreciation of properties | 8,861 | 6,693 | 30,491 | 24,329 |
| Add: our share of depreciation in unconsolidated joint ventures | 216 | 5 | 737 | 20 |
| Add: amortization of deferred leasing costs | — | — | — | 15 |
| Deduct: gain on sale of real estate and partnership | (16,763) | (11,378) | (52,601) | (62,330) |
| Adjustments for non-controlling interests | 5,305 | 2,597 | 17,122 | 13,320 |
| NAREIT Funds from operations attributable to common stockholders | \$ 3,080 | \$ 824 | \$ 9,349 | \$ 6,643 |
| Adjustments for straight line rent accruals | (10) | (70) | (56) | (200) |
| Add: loss on extinguishment of debt | 664 | 1,879 | 1,463 | 4,547 |
| Add: amortization of restricted stock and restricted stock units | 155 | 316 | 1,218 | 1,005 |
| Add: amortization of deferred mortgage costs | 370 | 229 | 1,244 | 1,645 |
| Adjustments for non-controlling interests | (379) | (764) | (920) | (2,729) |
| Adjusted funds from operations attributable to common shareholders | \$ 3,880 | \$ 2,414 | \$ 12,298 | \$ 10,911 |
| Note 2: | | | | |
| Funds from operations per share is summarized in the following table: | | | | |
| GAAP Net income attributable to common shareholders | \$ 0.39 | \$ 0.21 | \$ 0.97 | \$ 2.23 |
| Add: depreciation of properties | 0.62 | 0.48 | 2.18 | 1.74 |
| Add: our share of depreciation in unconsolidated joint ventures | 0.02 | — | 0.05 | — |
| Add: amortization of deferred leasing costs | — | — | — | — |
| Deduct: gain on sale of real estate asset | (1.19) | (0.82) | (3.75) | (4.45) |
| Adjustments for non-controlling interests | 0.38 | 0.19 | 1.22 | 0.95 |
| NAREIT Funds from operations per common share basic and diluted | \$ 0.22 | \$ 0.06 | \$ 0.67 | \$ 0.47 |
| Adjustments for straight line rent accruals | — | (0.01) | — | (0.01) |
| Add: loss on extinguishment of debt | 0.04 | 0.14 | 0.10 | 0.32 |
| Add: amortization of restricted stock and restricted stock units | 0.01 | 0.02 | 0.09 | 0.07 |
| Add: amortization of deferred mortgage costs | 0.03 | 0.02 | 0.09 | 0.12 |
| Adjustments for non-controlling interests | (0.03) | (0.05) | (0.07) | (0.19) |
| Adjusted funds from operations per common share basic and diluted | \$ 0.27 | \$ 0.18 | \$ 0.88 | \$ 0.78 |



4Q 2017 SUPPLEMENTAL FINANCIAL INFORMATION

December 14, 2017

BRT APARTMENTS CORP.
60 Cutter Mill Rd., Great Neck, NY 11021



Forward Looking Statements

The information set forth herein contains forward-looking information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. Forward-looking information included herein that is not historical fact is subject to a number of risks and uncertainties, depending upon the risks and uncertainties described in the Company's filings with the Securities and Exchange Commission (SEC), and actual results realized by the Company could differ materially from the forward-looking information included herein. Existing and prospective investors are cautioned not to place undue reliance on this forward-looking information, which speak only as of the date hereof. The Company undertakes no obligation to update or revise the information herein, whether as a result of new information, future events or circumstances, or otherwise. The Company recommends that existing and prospective investors review the information set forth in its Annual Report on Form 10-K filed contemporaneously herewith.

Unless otherwise indicated or the context otherwise requires, (i) our fiscal year ends on September 30 and all references to a quarter or year refer to the applicable fiscal quarter or year and (ii) the information presented herein relates solely to the Company's multi-family property segment.



Table of Contents

| Table of Contents | Page Number |
|---|-------------|
| Financial Highlights | 1 |
| Operating Results | 2 |
| Funds From Operations | 3 |
| Balance Sheets | 4 |
| Multi-Family Portfolio Data by Region | 5 |
| Same Store Comparison (Fourth Quarter) | 6 |
| Same Store Comparison (Fiscal Year End) | 7 |
| Acquisitions and Dispositions | 8 |
| Debt Analysis | 9 |
| Non-GAAP Financial Measures, Definitions, and Reconciliations | 10-11 |
| Portfolio Table | 12 |



Financial Highlights

| | As of September 30, | | | |
|--|-----------------------------|---------------------|--------------------------|---------------------|
| | 2017 | 2016 | 2015 | 2014 |
| Market Information | | | | |
| Market capitalization | \$ 150,320,535 | \$ 111,190,680 | \$ 99,976,487 | \$ 107,273,903 |
| Shares outstanding | 14,022,438 | 13,898,835 | 14,101,056 | 14,303,187 |
| Closing share price | \$ 10.72 | \$ 8.00 | \$ 7.09 | \$ 7.50 |
| Dividend declared per share | \$ 0.18 | \$ - | \$ - | \$ - |
| Portfolio | | | | |
| Multi-family properties owned | 33 | 33 | 28 | 27 |
| Units | 9,568 | 9,420 | 8,300 | 7,609 |
| Average occupancy (1) | 93.8% | 92.8% | 94.5% | 94.0% |
| Average monthly rental revenue per occupied unit (1) | \$933 | \$852 | \$810 | \$785 |
| Per Share Data | | | | |
| | Quarter ended September 30, | | Year ended September 30, | |
| | 2017 (Unaudited) | 2016 (Unaudited) | 2017 (Unaudited) | 2016 (Unaudited) |
| Earnings per share (basic and diluted) (2) | \$ 0.39 | \$ 0.21 | \$ 0.97 | \$ 2.23 |
| FFO per share of common stock (3) | \$ 0.22 | \$ 0.06 | \$ 0.67 | \$ 0.47 |
| AFFO per share of common stock (3) | \$ 0.27 | \$ 0.18 | \$ 0.88 | \$ 0.78 |

(1) Includes, for the applicable period, stabilized properties (except for average occupancy which excludes Retreat at Cinco Ranch due to damage suffered from Hurricane Harvey).

(2) See note A on page 2 with respect to the capitalization of property acquisition costs.

(3) See the reconciliation of Funds From Operations, or FFO, and Adjusted Funds From Operations, or AFFO, to net income, as calculated in accordance with GAAP, at page 3, and the definitions of such terms at page 11.



Operating Results

(dollars in thousands, except per share amounts)

| | Quarter ended September 30, | | Year ended September 30, | |
|---|-----------------------------|---------------------|--------------------------|-------------------|
| | 2017 (Unaudited) | 2016 (Unaudited) | 2017 | 2016 |
| Revenues | | | | |
| Rental and other revenue from real estate properties | \$ 28,073 | \$ 25,211 | \$ 104,477 | \$ 95,202 |
| Other income | 314 | 678 | 1,294 | 3,319 |
| Total revenues | <u>28,387</u> | <u>25,889</u> | <u>105,771</u> | <u>98,521</u> |
| Expenses | | | | |
| Real estate operating expenses | 13,641 | 12,342 | 51,279 | 47,519 |
| Interest expense | 7,902 | 6,284 | 28,171 | 23,878 |
| Advisor's fees, related party | - | - | - | 693 |
| Property acquisition costs (1) | - | 1,434 | - | 3,852 |
| General and administrative | 2,100 | 2,134 | 9,396 | 8,536 |
| Depreciation | 8,861 | 6,693 | 30,491 | 23,180 |
| Total expenses | <u>32,504</u> | <u>28,887</u> | <u>119,337</u> | <u>107,658</u> |
| Total revenues less total expenses | (4,117) | (2,998) | (13,566) | (9,137) |
| Equity in loss of unconsolidated joint ventures | (77) | - | (384) | - |
| Gain on sale of real estate | 16,763 | 11,379 | 52,601 | 46,477 |
| Gain on sale of partnership interest | - | - | - | 386 |
| Loss on extinguishment of debt | (664) | (1,879) | (1,463) | (4,547) |
| Income from continuing operations | 11,905 | 6,502 | 37,188 | 33,179 |
| Provision for taxes | 61 | 700 | 1,560 | 700 |
| Income from continuing operations, net of taxes | 11,844 | 5,802 | 35,628 | 32,479 |
| Discontinued operations: | | | | |
| Loss from discontinued operations | - | - | - | (2,788) |
| Gain on sale of partnership interest | - | - | - | 15,467 |
| Income from discontinued operations | - | - | - | 12,679 |
| Net income | 11,844 | 5,802 | 35,628 | 45,158 |
| (Income) attributable to non-controlling interests | (6,383) | (2,895) | (22,028) | (13,869) |
| Net income attributable to common stockholders | <u>\$ 5,461</u> | <u>\$ 2,907</u> | <u>\$ 13,600</u> | <u>\$ 31,289</u> |
| Basic and diluted per share amounts attributable to common stockholders: | | | | |
| Income from continuing operations | \$ 0.39 | \$ 0.21 | \$ 0.97 | \$ 1.21 |
| Income from discontinued operations | - | - | - | 1.02 |
| Basic and diluted earnings per share | <u>\$ 0.39</u> | <u>\$ 0.21</u> | <u>\$ 0.97</u> | <u>\$ 2.23</u> |
| Weighted average number of shares of common stock outstanding: | | | | |
| Basic | 14,023,735 | 13,903,639 | 13,993,638 | 14,017,279 |
| Diluted | <u>14,123,735</u> | <u>13,903,639</u> | <u>14,018,843</u> | <u>14,017,279</u> |

(1) Effective with the quarter ended December 31, 2016, BRT capitalizes property acquisition costs in accordance with ASU 2017-01, Business Combinations: Clarifying the Definition of a Business.



Funds From Operations

(dollars in thousands, except per share amounts)

| | Quarter Ended September 30, | | Year ended September 30, | |
|--|-----------------------------|---------------------|--------------------------|---------------------|
| | 2017 (Unaudited) | 2016 (Unaudited) | 2017 (Unaudited) | 2016 (Unaudited) |
| GAAP Net income attributable to common stockholders | \$ 5,461 | \$ 2,907 | \$ 13,600 | \$ 31,289 |
| Add: depreciation of properties | 8,861 | 6,693 | 30,491 | 24,329 |
| Add: our share of depreciation in unconsolidated joint ventures | 216 | 5 | 737 | 20 |
| Add: amortization of deferred leasing costs | - | - | - | 15 |
| Deduct: gain on sales of real estate and partnership interests | (16,763) | (11,378) | (52,601) | (62,330) |
| Adjustment for non-controlling interest | 5,305 | 2,597 | 17,122 | 13,320 |
| Funds from operations (FFO) attributable to common stockholders | \$ 3,080 | \$ 824 | \$ 9,349 | \$ 6,643 |
| Adjust for straight line rent accruals | (10) | (70) | (56) | (200) |
| Add: loss on extinguishment of debt | 664 | 1,879 | 1,463 | 4,547 |
| Add: amortization of restricted stock and RSU expense | 155 | 316 | 1,218 | 1,005 |
| Add: amortization of deferred mortgage costs | 370 | 229 | 1,244 | 1,645 |
| Adjustment for non-controlling interest | (379) | (764) | (920) | (2,729) |
| Adjusted funds from operations (AFFO) attributable to common stockholders | \$ 3,880 | \$ 2,414 | \$ 12,298 | \$ 10,911 |
| Per share data | | | | |
| GAAP Net income attributable to common stockholders | \$ 0.39 | \$ 0.21 | \$ 0.97 | \$ 2.23 |
| Add: depreciation of properties | 0.62 | 0.48 | 2.18 | 1.74 |
| Add: our share of depreciation in unconsolidated joint ventures | 0.02 | - | 0.05 | - |
| Deduct: gain on sales of real estate and partnership interests | (1.19) | (0.82) | (3.75) | (4.45) |
| Adjustment for non-controlling interest | 0.38 | 0.19 | 1.22 | 0.95 |
| Funds from operations (FFO) attributable to common stockholders | \$ 0.22 | \$ 0.06 | \$ 0.67 | \$ 0.47 |
| Adjust for straight line rent accruals | - | (0.01) | - | (0.01) |
| Add: loss on extinguishment of debt | 0.04 | 0.14 | 0.10 | 0.32 |
| Add: amortization of restricted stock and RSU expense | 0.01 | 0.02 | 0.09 | 0.07 |
| Add: amortization of deferred mortgage costs | 0.03 | 0.02 | 0.09 | 0.12 |
| Adjustment for non-controlling interest | (0.03) | (0.05) | (0.07) | (0.19) |
| Adjusted funds from operations (AFFO) attributable to common stockholders | \$ 0.27 | \$ 0.18 | \$ 0.88 | \$ 0.78 |



Consolidated Balance Sheets

(amounts in thousands)

| | As at September 30, | | |
|---|---------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 |
| Assets | | | |
| Real estate properties, net of accumulated depreciation | \$ 902,281 | \$ 759,576 | \$ 591,727 |
| Real estate loan | 5,500 | 19,500 | - |
| Cash and cash equivalents | 12,383 | 27,399 | 15,556 |
| Restricted cash | 6,151 | 7,383 | 6,518 |
| Deposits and escrows | 27,839 | 18,972 | 12,782 |
| Investment in unconsolidated joint ventures | 21,415 | 298 | - |
| Other assets | 9,359 | 7,775 | 6,882 |
| Assets of discontinued operations | - | - | 163,545 |
| Real estate properties held for sale | 8,969 | 33,996 | 23,859 |
| | <u>\$ 993,897</u> | <u>\$ 874,899</u> | <u>\$ 820,869</u> |
| Liabilities and equity | | | |
| Liabilities | | | |
| Mortgage payable, net of deferred costs | \$ 697,826 | \$ 588,457 | \$ 451,159 |
| Junior subordinated notes, net of deferred costs | 37,018 | 36,998 | 36,978 |
| Accounts payable and accrued liabilities | 22,348 | 20,716 | 14,780 |
| Liabilities of discontinued operations | - | - | 138,530 |
| Mortgage payable held for sale | - | 27,052 | 19,248 |
| Total liabilities | <u>757,192</u> | <u>673,223</u> | <u>660,695</u> |
| Equity | | | |
| Common Stock, \$.01 par value, 300,000 shares authorized; 13,336 shares issued at June 30, 2017 | 133 | - | - |
| Shares of beneficial interest, \$3 per value | - | 39,696 | 40,285 |
| Additional paid in capital | 201,910 | 161,321 | 161,842 |
| Accumulated other comprehensive income (loss) | 1,000 | (1,602) | (58) |
| Accumulated deficit | (37,047) | (48,125) | (79,414) |
| Total BRT Apartments Corp. stockholders' equity | <u>165,996</u> | <u>151,290</u> | <u>122,655</u> |
| Non-controlling interests | 70,709 | 50,386 | 37,519 |
| Total Equity | <u>236,705</u> | <u>201,676</u> | <u>160,174</u> |
| Total Liabilities and Equity | <u>\$ 993,897</u> | <u>\$ 874,899</u> | <u>\$ 820,869</u> |



Portfolio Data by State

(dollars in thousands, except monthly rent amounts)

2017 Results

| | Units (1) | Revenues | Property Operating Expenses | NOI (2) | % of NOI Contribution | Average Occupancy (3) | Weighted Average Monthly Rent per Occupied Unit |
|----------------|------------------|-------------------|--|------------------|----------------------------------|----------------------------------|--|
| Texas | 2,695 | \$ 32,011 | \$ 17,894 | \$ 14,118 | 26.5% | 91.5% | \$ 963 |
| Florida | 1,268 | 15,339 | 7,421 | 7,918 | 14.9% | 94.3% | 1,149 |
| Georgia | 959 | 11,842 | 5,545 | 6,297 | 11.8% | 94.7% | 940 |
| Alabama | 826 | 7,849 | 3,757 | 4,092 | 7.7% | 94.9% | 735 |
| Mississippi | 776 | 8,310 | 3,248 | 5,062 | 9.5% | 96.5% | 858 |
| Missouri | 775 | 7,694 | 3,652 | 4,041 | 7.6% | 93.1% | 944 |
| South Carolina | 683 | 6,305 | 3,555 | 2,749 | 5.2% | 94.1% | 985 |
| Indiana | 400 | 3,418 | 2,082 | 1,335 | 2.5% | 92.0% | 652 |
| Tennessee | 300 | 4,239 | 1,363 | 2,876 | 5.4% | 96.9% | 1,045 |
| Ohio | 264 | 2,671 | 1,220 | 1,451 | 2.7% | 96.8% | 801 |
| Virginia | 220 | 3,160 | 996 | 2,164 | 4.1% | 95.0% | 1,246 |
| Other (4) | - | 1,639 | 546 | 1,093 | 2.1% | N/A | N/A |
| Totals | 9,166 | \$ 104,477 | \$ 51,279 | \$ 53,198 | 100% | 93.8% | \$ 933 |

(1) Excludes 402 units under development in West Nashville, TN.

(2) See the reconciliation of NOI to net income, as calculated in accordance with GAAP, at page 10 and the definition at page 10.

(3) Average occupancy excludes properties that are not stabilized and Retreat at Cinco Ranch.

(4) Primarily reflects amounts from properties included in the Company's other assets segment including revenues of \$1,298 and expenses of \$225 related to a commercial leasehold position in Yonkers, NY.



**Same Store Comparisons
Fourth Quarter
2017 and 2016**

(dollars in thousands, except monthly rent amounts)

| Quarter ended September 30, 2017 | | Revenues | | | Property Operating Expenses | | | NOI (2) | | |
|----------------------------------|--------------|------------------|------------------|-------------|-----------------------------|-----------------|-------------|-----------------|-----------------|-------------|
| | | Units | Q4 2017 | Q4 2016 | Growth | Q4 2017 | Q4 2016 | Growth | Q4 2017 | Q4 2016 |
| Texas (1) | 1,630 | \$ 4,719 | \$ 4,537 | 4.0% | \$ 2,717 | \$ 2,482 | 9.5% | \$ 2,002 | \$ 2,055 | (2.6%) |
| Florida | 1,026 | 3,824 | 3,662 | 4.4% | 1,733 | 1,703 | 1.8% | 2,091 | 1,959 | 6.8% |
| Alabama | 826 | 1,988 | 1,899 | 4.7% | 914 | 958 | (4.6%) | 1,073 | 941 | 14.1% |
| Georgia | 688 | 1,917 | 1,780 | 7.7% | 800 | 811 | (1.4%) | 1,117 | 969 | 15.2% |
| Missouri | 420 | 1,139 | 1,101 | 3.5% | 615 | 532 | 15.5% | 525 | 569 | (7.7%) |
| South Carolina | 412 | 1,324 | 1,298 | 2.0% | 686 | 660 | 3.9% | 639 | 638 | 0.1% |
| Indiana | 400 | 934 | 883 | 5.8% | 562 | 518 | 8.6% | 373 | 366 | 1.9% |
| Mississippi | 392 | 1,038 | 1,007 | 3.0% | 424 | 386 | 9.9% | 614 | 621 | (1.2%) |
| Tennessee | 300 | 1,020 | 1,006 | 1.3% | 345 | 416 | (17.0%) | 674 | 590 | 14.2% |
| Ohio | 264 | 679 | 646 | 5.2% | 291 | 328 | (11.2%) | 388 | 318 | 22.1% |
| Totals | 4,728 | \$ 18,582 | \$ 17,819 | 4.3% | \$ 9,086 | \$ 8,794 | 3.3% | \$ 9,496 | \$ 9,026 | 5.2% |

| Quarter ended September 30, 2017 | | Average Occupancy | | | Weighted Average Monthly Rent per Occupied Unit | | |
|----------------------------------|--|-------------------|--------------|-------------|---|---------------|-------------|
| | | Q4 2017 | Q4 2016 | Growth | Q4 2017 | Q4 2016 | Growth |
| Texas (1) | | 92.7% | 91.2% | 1.7% | \$ 918 | \$ 887 | 3.6% |
| Florida | | 95.5% | 95.3% | 0.3% | 1,172 | 1,116 | 5.0% |
| Alabama | | 94.9% | 95.6% | (0.7%) | 735 | 715 | 2.7% |
| Georgia | | 97.2% | 96.5% | 0.8% | 854 | 795 | 7.3% |
| Missouri | | 94.4% | 93.9% | 0.5% | 793 | 816 | (2.8%) |
| South Carolina | | 92.8% | 94.7% | (2.0%) | 1,004 | 994 | 1.1% |
| Indiana | | 97.7% | 93.7% | 4.3% | 682 | 660 | 3.3% |
| Mississippi | | 97.1% | 97.2% | (0.1%) | 843 | 821 | 2.7% |
| Tennessee | | 97.9% | 98.2% | (0.3%) | 1,077 | 1,062 | 1.5% |
| Ohio | | 96.9% | 96.0% | 0.9% | 827 | 775 | 6.8% |
| Totals | | 95.1% | 94.5% | 0.6% | \$ 908 | \$ 878 | 3.4% |

(1) Excludes Retreat at Cinco Ranch in Katy, TX that suffered significant damage as a result of Hurricane Harvey.

(2) Generally, negative variances in NOI are, among other things, due to higher turnover, changes in occupancy, and/or increases in taxes.

See definition of Same Store on page 11



Same Store Comparisons
Years Ended
September 30, 2017 and 2016

(dollars in thousands, except monthly rent amounts)

| 2017 Results | Units | Revenues | | | Property Operating Expenses | | | NOI (1) | | |
|----------------|--------------|------------------|------------------|-------------|-----------------------------|------------------|-------------|------------------|------------------|-------------|
| | | 2017 | 2016 | Growth | 2017 | 2016 | Growth | 2017 | 2016 | Growth |
| Florida | 1,026 | \$ 14,971 | \$ 14,358 | 4.3% | \$ 7,179 | \$ 6,713 | 6.9% | \$ 7,792 | \$ 7,645 | 1.9% |
| Texas | 848 | 9,655 | 9,603 | 0.5% | 5,611 | 5,275 | 6.4% | 4,045 | 4,328 | (6.6%) |
| Alabama | 826 | 7,849 | 7,319 | 7.2% | 3,757 | 3,552 | 5.8% | 4,092 | 3,767 | 8.6% |
| Missouri | 420 | 4,328 | 4,163 | 4.0% | 2,022 | 1,980 | 2.1% | 2,306 | 2,182 | 5.7% |
| Indiana | 400 | 3,418 | 3,421 | (0.1%) | 2,082 | 1,857 | 12.1% | 1,335 | 1,564 | (14.6%) |
| Tennessee | 300 | 3,991 | 3,898 | 2.4% | 1,562 | 1,528 | 2.2% | 2,429 | 2,369 | 2.5% |
| Ohio | 264 | 2,671 | 2,563 | 4.2% | 1,220 | 1,211 | 0.8% | 1,451 | 1,352 | 7.3% |
| Georgia | 212 | 2,682 | 2,469 | 8.6% | 1,116 | 1,157 | (3.6%) | 1,566 | 1,312 | 19.3% |
| South Carolina | 208 | 3,032 | 2,839 | 6.8% | 1,435 | 1,445 | (0.7%) | 1,597 | 1,394 | 14.5% |
| Totals | 4,504 | \$ 52,597 | \$ 50,633 | 3.9% | \$ 25,985 | \$ 24,719 | 5.1% | \$ 26,612 | \$ 25,914 | 2.7% |

| 2017 Results | Average Occupancy | | | Weighted Average Monthly Rent per Occupied Unit | | |
|----------------|-------------------|--------------|-------------|---|---------------|-------------|
| | 2017 | 2016 | Growth | 2017 | 2016 | Growth |
| Florida | 94.4% | 95.4% | (1.1%) | \$ 1,165 | \$ 1,097 | 6.2% |
| Texas | 91.7% | 92.8% | (1.2%) | 915 | 904 | 1.2% |
| Alabama | 94.9% | 92.2% | 2.9% | 730 | 715 | 2.1% |
| Missouri | 92.9% | 91.8% | 1.2% | 789 | 788 | 0.1% |
| Indiana | 92.0% | 94.1% | (2.2%) | 652 | 642 | 1.5% |
| Tennessee | 97.3% | 97.8% | (0.5%) | 1,066 | 1,032 | 3.4% |
| Ohio | 96.8% | 96.9% | (0.1%) | 801 | 762 | 5.2% |
| Georgia | 97.6% | 94.6% | 3.2% | 979 | 920 | 6.4% |
| South Carolina | 94.5% | 93.3% | 1.3% | 969 | 970 | (0.1%) |
| Totals | 94.1% | 94.0% | 0.1% | \$ 918 | \$ 888 | 3.4% |

(1) Generally, negative variances in NOI are, among other things, due to higher turnover, changes in occupancy, and/or increases in taxes.

See definition of Same Store on page 11



Multi-Family Acquisitions and Dispositions
Year Ended
September 30, 2017
(dollars in thousands)

Acquisitions

| Location | Purchase Date | No. of Units | Contract Purchase Price | Acquisition Mortgage Debt | Initial BRT Equity | Ownership Percentage | Capitalized Acquisition Costs |
|--------------------|---------------|--------------|-------------------------|---------------------------|--------------------|----------------------|-------------------------------|
| Fredricksburg, VA | 11/4/2016 | 220 | \$ 38,490 | \$ 29,900 | \$ 8,720 | 80.0% | \$ 643 |
| Saint Louis, MO | 2/28/2017 | 128 | 27,000 | 20,000 | 6,001 | 75.5% | 423 |
| Saint Louis, MO | 2/28/2017 | 53 | 8,000 | 6,200 | 2,002 | 75.5% | 134 |
| Creve Coeur, MO | 4/4/2017 | 174 | 39,600 | 29,000 | 9,408 | 78.4% | 569 |
| Nashville, TN | 6/2/2017 | 402 | 5,228 | - | 4,800 | 58.1% | 226 |
| Farmers Branch, TX | 6/29/2017 | 509 | 85,698 | 55,200 | 16,200 | 50.0% | 992 |
| Tallahassee, FL | 8/30/2017 | 242 | 27,588 | 21,524 | 7,015 | 80.0% | 377 |
| | | <u>1,728</u> | <u>\$ 231,604</u> | <u>\$ 161,824</u> | <u>\$ 54,146</u> | | <u>\$ 3,364</u> |

Acquisitions Subsequent to September 30, 2017

| Location | Purchase Date | No. of Units | Contract Purchase Price | Acquisition Mortgage Debt | Initial BRT Equity | Ownership Percentage | Capitalized Acquisition Costs |
|----------------|---------------|--------------|-------------------------|---------------------------|--------------------|----------------------|-------------------------------|
| Huntsville, AL | 12/7/2017 | 204 | \$ 18,420 | \$ 15,000 | \$ 4,456 | 80.0% | \$ 174 |

Dispositions

| Location | Sale Date | No. of Units | Sales Price | Gain on Sale | BRT Portion of Gain on Sale (1) | Mortgage Prepayment Charge | BRT Portion of Mortgage Prepayment Charge |
|-----------------|------------|--------------|-------------------|------------------|---------------------------------|----------------------------|---|
| Greenville, SC | 10/19/2016 | 350 | \$ 68,000 | \$ 18,483 | \$ 9,153 | - | - |
| Panama City, FL | 10/26/2016 | 160 | 14,720 | 7,393 | 3,914 | \$ 799 | \$ 423 |
| Atlanta, GA | 11/21/2016 | 350 | 36,750 | 8,905 | 4,738 | - | - |
| Hixson, TN | 11/30/2016 | 156 | 10,775 | 608 | 456 | - | - |
| Humble, TX | 7/11/2017 | 160 | 11,300 | 4,767 | 2,825 | 195 | 115 |
| Humble, TX | 7/11/2017 | 260 | 18,000 | 7,707 | 4,564 | 305 | 181 |
| Pasadena, TX | 7/28/2017 | 144 | 9,750 | 4,289 | 1,660 | 164 | 63 |
| | | <u>1,580</u> | <u>\$ 169,295</u> | <u>\$ 52,152</u> | <u>\$ 27,310</u> | <u>\$ 1,463</u> | <u>\$ 782</u> |

Dispositions Subsequent to September 30, 2017

| Location | Sale Date | No. of Units | Sales Price | Estimated Gain | BRT Portion of Estimated Gain | Mortgage Prepayment Charge | BRT Portion of Mortgage Prepayment Charge |
|---------------|------------|--------------|-------------|----------------|-------------------------------|----------------------------|---|
| Melbourne, FL | 10/25/2017 | 208 | \$ 22,250 | \$ 12,700 | \$ 9,900 | \$ 260 | \$ 200 |

(1) BRT's gain is calculated from the property gain of \$52,152 less the non-controlling interest of \$24,842.



Debt Analysis

(in thousands, except property data amounts)

Mortgage Debt

| Year | Total Principal Payments | Scheduled Amortization | Principal Payments Due at Maturity | Percent of Total Principal Payments Due At Maturity | Weighted Average Interest Rate (1) |
|------------|--------------------------|------------------------|------------------------------------|---|------------------------------------|
| 2018 | \$ 35,016 | \$ 6,016 | \$ 29,000 | 5% | 3.73% |
| 2019 | 59,858 | 6,432 | 53,426 | 8% | 3.86% |
| 2020 | 61,875 | 6,804 | 55,071 | 9% | 3.22% |
| 2021 | 22,279 | 8,278 | 14,001 | 2% | 4.29% |
| 2022 | 40,428 | 8,356 | 32,072 | 5% | 4.40% |
| Thereafter | 484,715 | 38,581 | 446,134 | 71% | 4.19% |
| Total | \$ 704,171 | \$ 74,467 | \$ 629,704 | 100% | |

| | |
|---|-----------|
| Weighted Average Remaining Term to Maturity | 6.9 years |
| Weighted Average Interest Rate | 4.03% |
| Debt Service Coverage Ratio (2) | 1.41 |

(1) Is based on balloon payments at maturity

(2) See definition of Debt Service Coverage Ratio on page 11

Junior Subordinated Notes

| | |
|-------------------|---|
| Principal Balance | \$37,400 |
| Interest Rate | 3 month LIBOR + 2.00% (i.e. 3.31% at 9/30/2017) |
| Maturity | April 30, 2036 |



**NON-GAAP FINANCIAL MEASURES
DEFINITIONS AND RECONCILIATIONS**
(dollars in thousands)

We define NOI as total property revenues less total property operating expenses. Property operating expenses exclude, among other things, depreciation and interest expense on the related property. Other REIT's may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to other REIT's. We believe NOI provides an operating perspective not immediately apparent from GAAP operating income or net (loss) income. NOI is one of the measures we use to evaluate our performance because it (i) measures the core operations of property performance by excluding corporate level expenses and other items unrelated to property operating performance and (ii) captures trends in rental housing and property operating expenses. However, NOI should only be used as an alternative measure of our financial performance.

The following table provides a reconciliation of NOI to net income attributable to common stock holders as computed in accordance with GAAP for the periods presented:

| | Quarter ended September 30, | | Year ended September 30, | |
|---|-----------------------------|---------------------|--------------------------|---------------------|
| | 2017 (Unaudited) | 2016 (Unaudited) | 2017 (Unaudited) | 2016 (Unaudited) |
| GAAP Net income attributable to common stockholders | \$ 5,461 | \$ 2,907 | \$ 13,600 | \$ 31,289 |
| Less: Other Income | (314) | (678) | (1,294) | (3,319) |
| Add: Interest expense | 7,902 | 6,284 | 28,171 | 23,878 |
| Advisor's fees, related party | - | - | - | 693 |
| Property acquisition costs | - | 1,434 | - | 3,852 |
| General and administrative | 2,101 | 2,134 | 9,396 | 8,536 |
| Depreciation | 8,861 | 6,693 | 30,491 | 23,180 |
| Less: Gain on sale of real estate | (16,763) | (11,379) | (52,601) | (46,477) |
| Gain on sale of partnership interest | - | - | - | (386) |
| Add: Loss on extinguishment of debt | 664 | 1,879 | 1,463 | 4,547 |
| Equity in loss of unconsolidated joint ventures | 77 | - | 384 | - |
| Provision for taxes | 61 | 700 | 1,560 | 700 |
| Discontinued operations: | | | | |
| Loss from discontinued operations | - | - | - | 2,788 |
| Less: Gain on sale of partnership interest | - | - | - | (15,467) |
| Add: Net income attributable to non-controlling interests | 6,383 | 2,895 | 22,028 | 13,869 |
| Net Operating Income | \$ 14,433 | \$ 12,869 | \$ 53,198 | \$ 47,683 |



NON-GAAP FINANCIAL MEASURES DEFINITIONS AND RECONCILIATIONS

(dollars in thousands)

Funds from Operations (FFO)

FFO is a non-GAAP financial performance measure defined by the National Association of Real Estate Investment Trusts and is widely recognized by investors and analysts as one measure of operating performance of a REIT. The FFO calculation excludes items such as real estate depreciation and amortization, gains and losses on the sale of real estate assets and impairment on depreciable assets. Historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, it is management's view, and we believe the view of many industry investors and analysts, that the presentation of operating results for a REIT using the historical accounting for depreciation is insufficient. FFO excludes gains and losses from the sale of real estate, which we believe provides management and investors with a helpful additional measure of the performance of our real estate portfolio, as it allows for comparisons, year to year, that reflect the impact on operations from trends in items such as occupancy rates, rental rates, operating costs, general, administrative and other expenses, and interest expenses.

Adjusted Funds from Operations (AFFO)

AFFO, as defined by us, excludes from FFO straight line rent adjustments, loss on extinguishment of debt, amortization of restricted stock and RSU expense and amortization of deferred mortgage costs. Management believes that excluding acquisition-related expenses from AFFO provides investors with supplemental performance information that is consistent with the performance models and analysis used by management and provides investors a view of the performance of our portfolio over time, including after the time we cease to acquire properties on a frequent and regular basis. We believe that AFFO enables investors to compare the performance of our portfolio with other REITs that have not recently engaged in acquisitions, as well as a comparison of our performance with that of other non-traded REITs, as AFFO, or an equivalent measure is routinely reported by non-traded REITs, and we believe often used by analysts and investors for comparison purposes.

Debt Service Coverage Ratio

Debt service coverage ratio is net operating income ("NOI") divided by total debt service.

Total Debt Service

Total debt service is the cash required to cover the repayment of interest and principal on a debt for a particular period. Total debt service is used in the calculation of the debt service coverage ratio which is used to determine the borrower's ability to make debt service payments.

Same Store

Same store refers to stabilized properties that we and our consolidated joint ventures owned and operated for the entirety of both periods being compared. Newly constructed, lease-up, development and redevelopment properties, are deemed stabilized upon attainment of 90% physical occupancy. Cinco Ranch is not deemed a stabilized property because of the damage it suffered in Hurricane Harvey.



Portfolio Table

As of 12/13/2017

| Property | City | State | Year Built | Property Age | No. of Units | Q4 2017 | | |
|-------------------------------|--------------------|-------|------------|--------------|--------------|----------------|---------------------------|-------------|
| | | | | | | Avg. Occupancy | Q4 Avg Rent per Occ. Unit | % Ownership |
| Fountains | Palm Beach Gardens | FL | 1970 | 48 | 542 | 95% | \$ 1,329 | 80% |
| Silvana Oaks | North Charleston | SC | 2010 | 8 | 208 | 96% | 1,123 | 100% |
| Avondale Station | Decatur | GA | 1950 | 68 | 212 | 98% | 1,002 | 100% |
| Stonecrossing | Houston | TX | 1978 | 40 | 240 | 90% | 874 | 91% |
| Pathway | Houston | TX | 1979 | 39 | 144 | 85% | 915 | 91% |
| Brixworth at Bridgestreet | Huntsville | AL | 1985 | 33 | 208 | 96% | 702 | 80% |
| Newbridge Commons | Columbus | OH | 1999 | 19 | 264 | 97% | 827 | 100% |
| Waterside at Castleton | Indianapolis | IN | 1983 | 35 | 400 | 98% | 682 | 80% |
| Crossings of Bellevue | Nashville | TN | 1985 | 33 | 300 | 98% | 1,077 | 80% |
| Kendall Manor | Houston | TX | 1981 | 37 | 272 | 93% | 826 | 80% |
| Avalon | Pensacola | FL | 2008 | 10 | 276 | 94% | 967 | 98% |
| Apartments at Venue | Valley | AL | 2008/2009 | 10 | 618 | 94% | 746 | 61% |
| Parkway Grande | San Marcos | TX | 2014 | 4 | 192 | 97% | 1,065 | 80% |
| Cedar Lakes | Lake St. Louis | MO | 1985 | 33 | 420 | 94% | 793 | 80% |
| Factory at Garco | North Charleston | SC | 2017 | 1 | 271 | 57% | 954 | 65% |
| Woodland Trails | LaGrange | GA | 2010 | 8 | 236 | 98% | 892 | 100% |
| Retreat at Cinco Ranch | Katy | TX | 2008 | 10 | 268 | 81% | 976 | 75% |
| Grove at River Place | Macon | GA | 1988 | 30 | 240 | 96% | 681 | 80% |
| Civic Center 1 | Southaven | MS | 2002 | 16 | 392 | 97% | 843 | 60% |
| Verandas at Shavano Park | San Antonio | TX | 2014 | 4 | 288 | 96% | 989 | 65% |
| Chatham Court and Reflections | Dallas | TX | 1986 | 32 | 494 | 92% | 889 | 50% |
| Waters Edge at Harbison | Columbia | SC | 1996 | 22 | 204 | 89% | 874 | 80% |
| Pointe at Lenox Park | Atlanta | GA | 1989 | 29 | 271 | 93% | 1,165 | 74% |
| Civic Center 2 | Southaven | MS | 2005 | 13 | 384 | 98% | 893 | 60% |
| Verandas at Alamo Ranch | San Antonio | TX | 2015 | 3 | 288 | 94% | 984 | 72% |
| Kilburn Crossing | Fredericksburg | VA | 2005 | 13 | 220 | 95% | 1,262 | 80% |
| OPOP Towers | St. Louis | MO | 2014 | 4 | 128 | 95% | 1,459 | 76% |
| OPOP Lofts | St. Louis | MO | 2014 | 4 | 53 | 92% | 1,512 | 76% |
| Vanguard Heights | Creve Coeur | MO | 2016 | 2 | 174 | 81% | 1,638 | 78% |
| Mercer Crossing | Dallas | TX | 2014/2016 | 3 | 509 | 92% | 1,194 | 50% |
| Jackson Square | Tallahassee | FL | 1996 | 22 | 242 | 94% | 1,062 | 80% |
| Magnolia Pointe | Huntsville | AL | 1991 | 27 | 204 | N/A | N/A | 80% |
| <i>Total/Weighted Average</i> | | | | | 21.4 | 9,162 | | |

Development Projects

| | | | | | | | | |
|--------------|-----------|----|-----|-----|-----|-----|-----|-----|
| Bell's Bluff | Nashville | TN | N/A | N/A | 402 | N/A | N/A | 58% |
|--------------|-----------|----|-----|-----|-----|-----|-----|-----|

Total (Including Development Projects)

9,564

| Unconsolidated Joint Ventures | City | State | Year Built | Property Age | No. of Units | % Ownership |
|-------------------------------|----------|-------|------------|--------------|--------------|-------------|
| Canalside Sola (1) | Columbia | SC | N/A | N/A | 338 | 46% |
| Canalside Lofts | Columbia | SC | 2008/2013 | 8 | 374 | 32% |
| Gateway Oaks | Forney | TX | 2016 | 2 | 313 | 50% |
| <i>Total</i> | | | | | 1,025 | |

(1) Development project