

**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): February 9, 2018

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.) |

|  |            |
|--|------------|
| 60 Cutter Mill Road, Suite 303, Great Neck, New York | 11021      |
| (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 February 9, 2018, we issued a press release announcing our results of operations for the three months ended December 31, 2017. In addition, we made available supplemental financial information with respect to our activities for the periods set forth in the supplemental information. Copies of 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, including the information included in Exhibits 99.1 and 99.2 attached hereto. 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.

**Exhibit**

| <b><u>No.</u></b>           | <b><u>Description</u></b>             |
|-----------------------------|---------------------------------------|
| <a href="#"><u>99.1</u></a> | Press release dated February 9, 2018. |
| <a href="#"><u>99.2</u></a> | 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.

February 9, 2018

By: /s/ George Zweier

George Zweier, Vice President  
and Chief Financial Officer

**BRT APARTMENTS CORP. REPORTS  
FIRST FISCAL QUARTER RESULTS  
FOR DECEMBER 31, 2017**

**Net Income of \$0.45 and \$1.13 per fully diluted share in First Fiscal Quarter of 2018 and 2017, respectively  
Grows FFO to \$0.20 per fully diluted share from \$0.14 per fully diluted share  
Increases AFFO to \$0.26 per fully diluted share from \$0.21 per fully diluted share**

**Great Neck, New York** - February 9, 2018 - BRT APARTMENTS CORP. (NYSE:BRT), a growing multi-family real estate investment trust with properties located primarily in the Southeast United States and Texas today announced operating results for the three months ended December 31, 2017, the Company's first quarter of fiscal 2018.

**Fiscal First Quarter 2018 Highlights**

- Increases rental revenues by 12.5% as compared to the corresponding prior year period.
- Net income of \$0.45 per fully diluted share compared to \$1.13 in the corresponding period of the prior year. The 2018 and 2017 quarters include \$0.70 and \$1.35, respectively, of net income per fully diluted share from gains on property sales, after giving effect to \$0.18 and \$1.23 per fully diluted share, respectively, of non-controlling interests.
- Grows FFO 42.9% to \$0.20 per fully diluted share from \$0.14 per fully diluted share in the 2017 quarter.
- Increases AFFO 23.8% to \$0.26 per fully diluted share from \$0.21 per fully diluted share in the 2017 quarter.

Jeffrey A. Gould, President and Chief Executive Officer, stated: "Our strong results in the first quarter reflect a culmination of portfolio repositioning activities during the last 12 months. While we expect to slow our sales activity in 2018, we will continue to selectively sell assets that no longer fit our longer-term strategy. Our pipeline remains full and we are prepared to redeploy our capital into accretive acquisitions as these selective sales occur. We are identifying attractive investment opportunities with value-add components that can add incremental growth above current rents as the properties are improved. We continue to target high-growth employment and population markets and are focused on creating value for our stockholders."

**Financial Results:**

Net income attributable to common stockholders was \$6.4 million, or \$0.45 per diluted share, for the current three months, compared to net income of \$15.8 million, or \$1.13 per diluted share, for the three months ended December 31, 2016. The 2018 and 2017 quarters include \$0.70 and \$1.35, respectively, of net income per fully diluted share from gains on property sales, after giving effect to \$0.18 and \$1.23, per fully diluted share, respectively, of non-controlling interests.

Funds from Operations<sup>1</sup>, or FFO, for the current quarter grew 42.9% to \$0.20 per fully diluted share, from \$0.14 per fully diluted share in the three months ended December 31, 2016. FFO for the current period was \$2.9 million compared to \$1.9 million in the corresponding period of the prior year. Adjusted Funds from Operations, or AFFO, for the 2018 fiscal quarter grew 23.8% to \$0.26 per fully diluted share, from \$0.21 per fully diluted share, in the corresponding prior year period. AFFO in the 2018 quarter was \$3.7 million compared to \$2.9 million in the 2017 quarter.

**Operating Results:**

As of February 9, 2018, BRT owns or has interests in 37 multi-family properties with 10,690 units, including properties in lease-up, under development, or owned by unconsolidated joint ventures, located across 11 states. Many of these properties are owned through consolidated joint ventures in which BRT owns a substantial equity interest.

---

<sup>1</sup>A description and reconciliation of non-GAAP financial measures to GAAP financial measures is presented later in this release.,

During the current quarter, average total occupancy at stabilized properties was approximately 93.7%, compared to approximately 93.2% during the 2017 quarter. Average rental rate per occupied unit at stabilized properties during the current quarter was approximately \$967 per month compared to approximately \$894 per month during the 2017 quarter. Stabilized properties include all our consolidated properties, other than those in lease-up or development, and for the 2018 quarter, also excludes a Katy, Texas property that was damaged by Hurricane Harvey.

Rental and other revenues from real estate properties for the current three months increased 12.8% to \$28.2 million from \$25.0 million for the quarter ended December 31, 2016.

Total expenses for the quarter ended December 31, 2017 were \$32.3 million compared to \$28.0 million for the quarter ended December 31, 2016 due primarily to increases in depreciation, interest expense and operating expense from the seven multi-family properties acquired since January 1, 2017.

#### **Portfolio Activity:**

During the current quarter, BRT acquired two multi-family properties with 324 units for a purchase price of \$30.4 million, including \$24.2 million of mortgage debt, and sold one property for a sales price of \$22.3 million and a gain, net of non-controlling interests of \$2.5 million, of \$10 million.

#### **Balance Sheet:**

At December 31, 2017, BRT had: \$21.8 million of cash and cash equivalents, including \$8.1 million of restricted cash; total assets, net of accumulated depreciation, of \$1.0 billion; total debt, net of deferred costs, of \$749.1 million; and total stockholders' equity of \$170.4 million.

BRT's mortgage debt of \$712.1 million, net of deferred costs, has a weighted average interest rate of 4.07% and a weighted average remaining term to maturity of 6.9 years. Approximately 90.3% of the mortgage debt bears interest at a fixed rate. The balance of such debt represents short term or construction financing for properties in lease-up or development; BRT anticipates refinancing such debt when lease-up and development are complete.

#### **Subsequent Events:**

As previously reported, in February, BRT sold The Fountains Apartments and estimates that its share of the gain on this sale, net of non-controlling interests of approximately \$20.5 million, will be approximately \$21.3 million. BRT, through a joint venture in which it has a 50% equity interest, also acquired The Avenue Apartments for \$71.3 million, including \$53.1 million of mortgage debt.

#### **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](http://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.

### **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, including statements regarding the apparent improvement in the economic environment and BRT's ability to originate additional loans. 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 and in the Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed thereafter.

### **Additional Information:**

BRT is a real estate investment trust that owns, operates and develops multi-family properties. Interested parties are urged to review the Form 10-Q filed with the Securities and Exchange Commission for the quarter ended December 31, 2017 and the supplemental disclosures regarding the quarter on the investor relations section of the Company's website at: [http://brtapartments.com/investor\\_relations](http://brtapartments.com/investor_relations) for further details. The Form 10-Q 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](http://www.brtapartments.com).

Contact: Investor Relations - (516) 466-3100

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](http://www.BRTapartments.com)

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

|   | <b>December 31,<br/>2017<br/>(Unaudited)</b> | <b>September 30,<br/>2017</b> |
|---|--|-------------------------------|
| <b>ASSETS</b>   |  |                               |
| Real estate properties, net of accumulated depreciation | \$ 931,996                                   | \$ 902,281                    |
| Real estate loan  | 5,350  | 5,500                         |
| Cash and cash equivalents                               | 13,687                                       | 12,383                        |
| Restricted cash   | 8,074  | 6,151                         |
| Deposits and escrows                                    | 23,630                                       | 27,839                        |
| Investments in unconsolidated joint ventures            | 21,115                                       | 21,415                        |
| Other assets  | 8,933  | 9,359                         |
| Real estate property held for sale                      | —  | 8,969                         |
| Total Assets  | <u>\$ 1,012,785</u>                          | <u>\$ 993,897</u>             |
| <b>LIABILITIES AND EQUITY</b>                           |  |                               |
| Mortgages payable, net of deferred costs                | \$ 712,061                                   | \$ 697,826                    |
| Junior subordinated notes, net of deferred costs        | 37,023                                       | 37,018                        |
| Accounts payable and accrued liabilities                | 20,354                                       | 22,348                        |
| Total Liabilities                                       | <u>769,438</u>                               | <u>757,192</u>                |
| Total BRT Apartments Corp. stockholders' equity         | 170,412                                      | 165,996                       |
| Non-controlling interests                               | 72,935                                       | 70,709                        |
| Total Equity  | <u>243,347</u>                               | <u>236,705</u>                |
| Total Liabilities and Equity                            | <u>\$ 1,012,785</u>                          | <u>\$ 993,897</u>             |

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

|   | <b>Three Months Ended<br/>December 31,</b> |                   |
|---|--|-------------------|
|   | <b>2017</b>                                | <b>2016</b>       |
| Revenues:   |  |                   |
| Rental and other revenues from real estate properties             | \$ 28,162                                  | \$ 25,029         |
| Other income  | 187  | 611               |
| Total revenues  | <u>28,349</u>                              | <u>25,640</u>     |
| Expenses:   |  |                   |
| Real estate operating expenses                                    | 13,347                                     | 12,446            |
| Interest expense  | 7,980                                      | 6,687             |
| General and administrative  | 2,303                                      | 2,597             |
| Depreciation  | 8,648                                      | 6,297             |
| Total expenses  | <u>32,278</u>                              | <u>28,027</u>     |
| Total revenue less total expenses                                 | (3,929)                                    | (2,387)           |
| Equity in loss of unconsolidated joint ventures                   | (25)                                       | —                 |
| Gain on sale of real estate                                       | 12,519                                     | 35,838            |
| Loss on extinguishment of debt                                    | (257)                                      | (799)             |
| Income from continuing operations                                 | 8,308                                      | 32,652            |
| Provision for taxes   | 106  | 350               |
| Income from continuing operations, net of taxes                   | 8,202                                      | 32,302            |
| Net income attributable to non-controlling interests              | (1,851)                                    | (16,532)          |
| Net income attributable to common stockholders                    | <u>\$ 6,351</u>                            | <u>\$ 15,770</u>  |
| Per share amounts attributable to common stockholders:            |  |                   |
| Basic   | <u>\$ 0.45</u>                             | <u>\$ 1.13</u>    |
| Diluted   | <u>\$ 0.45</u>                             | <u>\$ 1.13</u>    |
| Funds from operations - Note 1                                    | <u>\$ 2,887</u>                            | <u>\$ 1,886</u>   |
| Funds from operations per common share - diluted - Note 2         | <u>\$ 0.20</u>                             | <u>\$ 0.14</u>    |
| Adjusted funds from operations - Note 1                           | <u>\$ 3,681</u>                            | <u>\$ 2,863</u>   |
| Adjusted funds from operations per common share - diluted -Note 2 | <u>\$ 0.26</u>                             | <u>\$ 0.21</u>    |
| Weighted average number of shares of common stock outstanding:    |  |                   |
| Basic   | <u>14,022,438</u>                          | <u>13,898,626</u> |
| Diluted   | <u>14,222,438</u>                          | <u>13,898,626</u> |



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

|  | <b>Three Months Ended<br/>December 31,</b> |                 |
|--|--|-----------------|
|  | <b>2017</b>                                | <b>2016</b>     |
| Note 1:  |  |                 |
| Funds from operations is summarized in the following table:                      |  |                 |
| GAAP Net income attributable to common stockholders                              | \$ 6,351                                   | \$ 15,770       |
| Add: depreciation of properties  | 8,648                                      | 6,297           |
| Add: our share of depreciation in unconsolidated joint ventures                  | 217  | 83              |
| Deduct: gain on sale of real estate and partnership interest                     | (12,519)                                   | (35,838)        |
| Adjustments for non-controlling interests  | 190  | 15,574          |
| <b><i>NAREIT Funds from operations attributable to common stockholders</i></b>   | <b>\$ 2,887</b>                            | <b>\$ 1,886</b> |
| Adjustments for: straight-line rent accruals                                     | (10)                                       | (22)            |
| Add: loss on extinguishment of debt  | 257  | 799             |
| Add: amortization of restricted stock and restricted stock units                 | 315  | 324             |
| Add: amortization of deferred mortgage costs                                     | 359  | 301             |
| Adjustments for non-controlling interests  | (127)                                      | (425)           |
| <b><i>Adjusted funds from operations attributable to common stockholders</i></b> | <b>\$ 3,681</b>                            | <b>\$ 2,863</b> |
| Note 2:  |  |                 |
| Funds from operations per share is summarized in the following table:            |  |                 |
| GAAP Net income attributable to common stockholders                              | \$ 0.45                                    | \$ 1.13         |
| Add: depreciation of properties  | 0.59                                       | 0.46            |
| Add: our share of depreciation in unconsolidated joint ventures                  | 0.02                                       | 0.01            |
| Deduct: gain on sale of real estate and partnership interest                     | (0.88)                                     | (2.58)          |
| Adjustment for non-controlling interests   | 0.02                                       | 1.12            |
| <b><i>NAREIT Funds from operations per common stock basic and diluted</i></b>    | <b>0.20</b>                                | <b>0.14</b>     |
| Adjustments for: straight line rent accruals                                     | —  | —               |
| Add: loss on extinguishment of debt  | 0.02                                       | 0.06            |
| Add: amortization of restricted stock and restricted stock units                 | 0.02                                       | 0.02            |
| Add: amortization of deferred mortgage costs                                     | 0.03                                       | 0.02            |
| Adjustments for non-controlling interests  | (0.01)                                     | (0.03)          |
| <b><i>Adjusted funds from operations per common stock basic and diluted</i></b>  | <b>\$ 0.26</b>                             | <b>\$ 0.21</b>  |



---

# 1Q 2018 SUPPLEMENTAL FINANCIAL INFORMATION

---

February 9, 2018

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 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.

Our fiscal year ends on September 30 and unless otherwise indicated or the context otherwise requires, all references to a quarter or year refer to the applicable fiscal quarter or year.



## Table of Contents

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



## Financial Highlights

|  | December 31,               |                     | As of September 30,      |                |               |
|--|----------------------------|---------------------|--------------------------|----------------|---------------|
|  | 2017                       | 2016                | 2017                     | 2016           | 2015          |
| <b>Market Information</b>                            |                            |                     |                          |                |               |
| Market capitalization                                | \$ 165,324,544             | \$ 110,077,118      | \$ 150,320,535           | \$ 111,190,680 | \$ 99,976,487 |
| Shares outstanding                                   | 14,022,438                 | 13,898,626          | 14,022,438               | 13,898,835     | 14,101,056    |
| Closing share price                                  | \$ 11.79                   | \$ 7.92             | \$ 10.72                 | \$ 8.00        | \$ 7.09       |
| Quarterly dividend declared per share                | \$ 0.18                    | \$ -                | \$ -                     | \$ -           | \$ -          |
| <b>Portfolio</b>                                     |                            |                     |                          |                |               |
| Multi-family properties owned                        | 34                         | 30                  | 33                       | 33             | 28            |
| Units  | 9,684 (2)                  | 8,624               | 9,568                    | 9,420          | 8,300         |
| Average occupancy (1)                                | 93.7 %                     | 93.0 %              | 93.8 %                   | 92.8 %         | 94.5 %        |
| Average monthly rental revenue per occupied unit (1) | \$967                      | \$863               | \$933                    | \$852          | \$810         |
| <b>Per Share Data</b>                                |                            |                     |                          |                |               |
|  | Quarter ended December 31, |                     | Year ended September 30, |                |               |
|  | 2017<br>(Unaudited)        | 2016<br>(Unaudited) | 2017                     | 2016           | 2015          |
| Earnings per share (basic) (3)                       | \$ 0.45                    | \$ 1.13             | \$ 0.97                  | \$ 2.23        | \$ (0.17)     |
| Earnings per share (diluted) (3)                     | \$ 0.45                    | \$ 1.13             | \$ 0.97                  | \$ 2.23        | \$ (0.17)     |
| FFO per share of common stock (4)                    | \$ 0.20                    | \$ 0.14             | \$ 0.67                  | \$ 0.47        | \$ 0.24       |
| AFFO per share of common stock (4)                   | \$ 0.26                    | \$ 0.21             | \$ 0.88                  | \$ 0.78        | \$ 0.36       |

(1) Average includes stabilized properties and, for the quarter ended December 31, 2017, excludes Retreat at Cinco Ranch due to damage suffered from Hurricane Harvey.

(2) Includes 445 units at two properties engaged in lease-up activities and 402 units at a property under development.

(3) See note 1 on page 2 with respect to the capitalization of property acquisition costs.

(4) 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, on page 3, and the definitions of such terms at page 10.



## Operating Results

(dollars in thousands, except per share amounts)

|  | Quarter ended December 31, |             | Year ended September 30, |            |            |
|--|----------------------------|-------------|--------------------------|------------|------------|
|  | 2017                       | 2016        | 2017                     | 2016       | 2015       |
|  | (Unaudited)                | (Unaudited) |                          |            |            |
| Revenues   |                            |             |                          |            |            |
| Rental and other revenue from real estate properties           | \$ 28,162                  | \$ 25,029   | \$ 104,477               | \$ 95,202  | \$ 77,023  |
| Other income   | 187                        | 611         | 1,294                    | 3,319      | 72         |
| Total revenues   | 28,349                     | 25,640      | 105,771                  | 98,521     | 77,095     |
| Expenses   |                            |             |                          |            |            |
| Real estate operating expenses                                 | 13,347                     | 12,446      | 51,279                   | 47,519     | 38,609     |
| Interest expense   | 7,980                      | 6,687       | 28,171                   | 23,878     | 19,297     |
| Advisor's fees, related party                                  | -                          | -           | -                        | 693        | 2,448      |
| Property acquisition costs (1)                                 | -                          | -           | -                        | 3,852      | 1,885      |
| General and administrative                                     | 2,303                      | 2,597       | 9,396                    | 8,536      | 6,683      |
| Depreciation   | 8,648                      | 6,297       | 30,491                   | 23,180     | 18,454     |
| Total expenses   | 32,278                     | 28,027      | 119,337                  | 107,658    | 87,376     |
| Total revenues less total expenses                             | (3,929)                    | (2,387)     | (13,566)                 | (9,137)    | (10,281)   |
| Equity in loss of unconsolidated joint ventures                | (25)                       | -           | (384)                    | -          | -          |
| Gain on sale of real estate                                    | 12,519                     | 35,838      | 52,601                   | 46,477     | 15,005     |
| Gain on sale of partnership interest                           | -                          | -           | -                        | 386        | -          |
| Loss on extinguishment of debt                                 | (257)                      | (799)       | (1,463)                  | (4,547)    | -          |
| Income from continuing operations                              | 8,308                      | 32,652      | 37,188                   | 33,179     | 4,724      |
| Provision for taxes  | 106                        | 350         | 1,560                    | 700        | -          |
| Income from continuing operations, net of taxes                | 8,202                      | 32,302      | 35,628                   | 32,479     | 4,724      |
| Discontinued operations:                                       |                            |             |                          |            |            |
| Loss from discontinued operations                              | -                          | -           | -                        | (2,788)    | (6,329)    |
| Gain on sale of partnership interest                           | -                          | -           | -                        | 15,467     | -          |
| Income (loss) from discontinued operations                     | -                          | -           | -                        | 12,679     | (6,329)    |
| Net income (loss)  | 8,202                      | 32,302      | 35,628                   | 45,158     | (1,605)    |
| Net income attributable to non-controlling interests           | (1,851)                    | (16,532)    | (22,028)                 | (13,869)   | (783)      |
| Net income (loss) attributable to common stockholders          | \$ 6,351                   | \$ 15,770   | \$ 13,600                | \$ 31,289  | \$ (2,388) |
| Per share amounts attributable to common stockholders:         |                            |             |                          |            |            |
| Basic  | \$ 0.45                    | \$ 1.13     | \$ 0.97                  | \$ 2.23    | \$ (0.17)  |
| Diluted  | \$ 0.45                    | \$ 1.13     | \$ 0.97                  | \$ 2.23    | \$ (0.17)  |
| Weighted average number of shares of common stock outstanding: |                            |             |                          |            |            |
| Basic  | 14,022,438                 | 13,898,626  | 13,993,638               | 14,017,279 | 14,133,352 |
| Diluted  | 14,222,438                 | 13,898,626  | 14,018,843               | 14,017,279 | 14,133,352 |

(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 December 31, |                     | Year ended September 30, |                  |                 |
|--|----------------------------|---------------------|--------------------------|------------------|-----------------|
|  | 2017<br>(Unaudited)        | 2016<br>(Unaudited) | 2017                     | 2016             | 2015            |
| GAAP Net income (loss) attributable to common stockholders                       | \$ 6,351                   | \$ 15,770           | \$ 13,600                | \$ 31,289        | \$ (2,388)      |
| Add: depreciation of properties  | 8,648                      | 6,297               | 30,491                   | 24,329           | 20,681          |
| Add: our share of depreciation in unconsolidated joint ventures                  | 217                        | 83                  | 737                      | 20               | 20              |
| Add: amortization of deferred leasing costs                                      | -                          | -                   | -                        | 15               | 71              |
| Deduct: gain on sales of real estate and partnership interests                   | (12,519)                   | (35,838)            | (52,601)                 | (62,329)         | (15,005)        |
| Adjustment for non-controlling interest  | 190                        | 15,574              | 17,122                   | 13,319           | 221             |
| <b>Funds from operations (FFO) attributable to common stockholders</b>           | <b>\$ 2,887</b>            | <b>\$ 1,886</b>     | <b>\$ 9,349</b>          | <b>\$ 6,643</b>  | <b>\$ 3,600</b> |
| Adjust for straight line rent accruals   | (10)                       | (22)                | (56)                     | (200)            | (411)           |
| Add: loss on extinguishment of debt  | 257                        | 799                 | 1,463                    | 4,547            | -               |
| Add: amortization of restricted stock and RSU expense                            | 315                        | 324                 | 1,218                    | 1,005            | 906             |
| Add: amortization of deferred mortgage costs                                     | 359                        | 301                 | 1,244                    | 1,645            | 2,242           |
| Adjustment for non-controlling interest  | (127)                      | (425)               | (920)                    | (2,729)          | (703)           |
| <b>Adjusted funds from operations (AFFO) attributable to common stockholders</b> | <b>\$ 3,681</b>            | <b>\$ 2,863</b>     | <b>\$ 12,298</b>         | <b>\$ 10,911</b> | <b>\$ 5,634</b> |
| Per share data   |                            |                     |                          |                  |                 |
| GAAP Net income (loss) attributable to common stockholders                       | \$ 0.45                    | \$ 1.13             | \$ 0.97                  | \$ 2.23          | \$ (0.17)       |
| Add: depreciation of properties  | 0.59                       | 0.46                | 2.18                     | 1.74             | 1.46            |
| Add: our share of depreciation in unconsolidated joint ventures                  | 0.02                       | 0.01                | 0.05                     | -                | -               |
| Add: amortization of deferred leasing costs                                      | -                          | -                   | -                        | -                | -               |
| Deduct: gain on sales of real estate and partnership interests                   | (0.88)                     | (2.58)              | (3.75)                   | (4.45)           | (1.07)          |
| Adjustment for non-controlling interest  | 0.02                       | 1.12                | 1.22                     | 0.95             | 0.02            |
| <b>Funds from operations (FFO) attributable to common stockholders</b>           | <b>\$ 0.20</b>             | <b>\$ 0.14</b>      | <b>\$ 0.67</b>           | <b>\$ 0.47</b>   | <b>\$ 0.24</b>  |
| Adjust for straight line rent accruals   | -                          | -                   | -                        | (0.01)           | (0.04)          |
| Add: loss on extinguishment of debt  | 0.02                       | 0.06                | 0.10                     | 0.32             | -               |
| Add: amortization of restricted stock and RSU expense                            | 0.02                       | 0.02                | 0.09                     | 0.07             | 0.07            |
| Add: amortization of deferred mortgage costs                                     | 0.03                       | 0.02                | 0.09                     | 0.12             | 0.16            |
| Adjustment for non-controlling interest  | (0.01)                     | (0.03)              | (0.07)                   | (0.19)           | (0.07)          |
| <b>Adjusted funds from operations (AFFO) attributable to common stockholders</b> | <b>\$ 0.26</b>             | <b>\$ 0.21</b>      | <b>\$ 0.88</b>           | <b>\$ 0.78</b>   | <b>\$ 0.36</b>  |



# Consolidated Balance Sheets

(amounts in thousands)

|   | At December 31,<br>2017 | At September 30,<br>2017 | 2016              | 2015              |
|---|-------------------------|--------------------------|-------------------|-------------------|
| <b>Assets</b>   |                         |                          |                   |                   |
| Real estate properties, net of accumulated depreciation   | \$ 931,996              | \$ 902,281               | \$ 759,576        | \$ 591,727        |
| Real estate loan  | 5,350                   | 5,500                    | 19,500            | -                 |
| Cash and cash equivalents   | 13,687                  | 12,383                   | 27,399            | 15,556            |
| Restricted cash   | 8,074                   | 6,151                    | 7,383             | 6,518             |
| Deposits and escrows  | 23,630                  | 27,839                   | 18,972            | 12,782            |
| Investment in unconsolidated joint ventures   | 21,115                  | 21,415                   | 298               | -                 |
| Other assets  | 8,933                   | 9,359                    | 7,775             | 6,882             |
| Assets of discontinued operations   | -                       | -                        | -                 | 163,545           |
| Real estate properties held for sale  | -                       | 8,969                    | 33,996            | 23,859            |
| <b>Total Assets</b>   | <b>\$ 1,012,785</b>     | <b>\$ 993,897</b>        | <b>\$ 874,899</b> | <b>\$ 820,869</b> |
| <b>Liabilities and equity</b>   |                         |                          |                   |                   |
| <b>Liabilities</b>  |                         |                          |                   |                   |
| Mortgage payable, net of deferred costs   | \$ 712,061              | \$ 697,826               | \$ 588,457        | \$ 451,159        |
| Junior subordinated notes, net of deferred costs  | 37,023                  | 37,018                   | 36,998            | 36,978            |
| Accounts payable and accrued liabilities  | 20,354                  | 22,348                   | 20,716            | 14,780            |
| Liabilities of discontinued operations  | -                       | -                        | -                 | 138,530           |
| Mortgage payable held for sale  | -                       | -                        | 27,052            | 19,248            |
| <b>Total liabilities</b>  | <b>769,438</b>          | <b>757,192</b>           | <b>673,223</b>    | <b>660,695</b>    |
| <b>Equity</b>   |                         |                          |                   |                   |
| Common Stock, \$.01 par value, 300,000 shares authorized; 13,336 shares issued at June 30, 2017 | 133                     | 133                      | -                 | -                 |
| Shares of beneficial interest, \$3 per value  | -                       | -                        | 39,696            | 40,285            |
| Additional paid in capital  | 202,225                 | 201,910                  | 161,321           | 161,842           |
| Accumulated other comprehensive income (loss)   | 1,346                   | 1,000                    | (1,602)           | (58)              |
| Accumulated deficit   | (33,292)                | (37,047)                 | (48,125)          | (79,414)          |
| <b>Total BRT Apartments Corp. stockholders' equity</b>  | <b>170,412</b>          | <b>165,996</b>           | <b>151,290</b>    | <b>122,655</b>    |
| Non-controlling interests   | 72,935                  | 70,709                   | 50,386            | 37,519            |
| <b>Total Equity</b>   | <b>243,347</b>          | <b>236,705</b>           | <b>201,676</b>    | <b>160,174</b>    |
| <b>Total Liabilities and Equity</b>   | <b>\$ 1,012,785</b>     | <b>\$ 993,897</b>        | <b>\$ 874,899</b> | <b>\$ 820,869</b> |





## Portfolio Data by State

(dollars in thousands, except monthly rent amounts)

Quarter Ended December 31, 2017

|                | Units (1)    | Revenues         | Expenses         | NOI (2)          | % of NOI Contribution | Average Occupancy (3) | Weighted Average Monthly Rent per Occupied Unit (3) |
|----------------|--------------|------------------|------------------|------------------|-----------------------|-----------------------|---|
| Texas          | 2,815        | \$ 8,404         | \$ 4,685         | \$ 3,719         | 25%                   | 92.1%                 | \$ 1,007  |
| Florida        | 1,060        | 4,027 (4)        | 1,778 (4)        | 2,249            | 15%                   | 93.7%                 | 1,144   |
| Alabama        | 1,030        | 2,164            | 1,049            | 1,114            | 8%                    | 93.3%                 | 742   |
| Georgia        | 959          | 2,896            | 1,245            | 1,651            | 11%                   | 94.3%                 | 950   |
| Mississippi    | 776          | 2,124            | 724              | 1,400            | 9%                    | 96.7%                 | 877   |
| Missouri       | 775          | 2,664            | 1,282            | 1,381            | 9%                    | 91.9%                 | 1,006   |
| South Carolina | 683          | 1,941            | 891              | 1,050            | 7%                    | 91.4%                 | 1,007   |
| Indiana        | 400          | 913              | 540              | 373              | 3%                    | 96.2%                 | 689   |
| Tennessee      | 300          | 1,047            | 406              | 641              | 4%                    | 98.9%                 | 1,109   |
| Ohio           | 264          | 693              | 300              | 393              | 3%                    | 98.2%                 | 820   |
| Virginia       | 220          | 898              | 316              | 582              | 4%                    | 93.2%                 | 1,275   |
| Other          | -            | 391              | 130              | 261              | 2%                    | N/A                   | N/A   |
| <b>Totals</b>  | <b>9,282</b> | <b>\$ 28,162</b> | <b>\$ 13,347</b> | <b>\$ 14,815</b> | <b>100%</b>           | <b>93.7%</b>          | <b>\$ 967</b>                                       |

(1) Excludes 402 units under development in West Nashville, TN and, only with respect to the number of units, the Melbourne, FL property with 208 units sold during the three months ended December 31, 2017.

(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) Excludes properties that are not stabilized and Retreat at Cinco Ranch.

(4) Includes \$207 and \$110 in revenues and expenses, respectively, relating to properties sold during the three months ended December 31, 2017.



**Same Store Comparisons**  
**First Quarter**  
**2018 and 2017**

*(dollars in thousands, except monthly rent amounts)*

| Quarter ended December 31, 2017 |              | Revenues         |                  |             | Property Operating Expenses |                  |             | NOI (2)          |                 |             |
|---------------------------------|--------------|------------------|------------------|-------------|-----------------------------|------------------|-------------|------------------|-----------------|-------------|
|                                 | Units        | Q1 2018          | Q1 2017          | Growth      | Q1 2018                     | Q1 2017          | Growth      | Q1 2018          | Q1 2017         | Growth      |
| Texas (1)                       | 1,918        | \$ 5,607         | \$ 5,324         | 5.3%        | \$ 3,287                    | \$ 3,038         | 8.2%        | \$ 2,320         | \$ 2,286        | 1.5%        |
| Florida                         | 818          | 3,106            | 3,119            | (0.4%)      | 1,358                       | 1,567            | (13.3%)     | 1,748            | 1,551           | 12.7%       |
| Alabama                         | 826          | 2,026            | 1,987            | 2.0%        | 995                         | 1,032            | (3.5%)      | 1,031            | 955             | 7.9%        |
| Georgia                         | 959          | 2,896            | 2,729            | 6.1%        | 1,245                       | 1,317            | (5.5%)      | 1,651            | 1,412           | 17.0%       |
| Missouri                        | 420          | 1,092            | 1,005            | 8.6%        | 640                         | 402              | 59.1%       | 452              | 603             | (25.1%)     |
| South Carolina                  | 412          | 1,272            | 1,297            | (1.9%)      | 707                         | 698              | 1.3%        | 565              | 599             | (5.7%)      |
| Indiana                         | 400          | 913              | 807              | 13.1%       | 540                         | 488              | 10.8%       | 373              | 319             | 16.8%       |
| Mississippi                     | 776          | 2,124            | 2,060            | 3.1%        | 724                         | 796              | (9.0%)      | 1,400            | 1,264           | 10.8%       |
| Tennessee                       | 300          | 1,047            | 1,014            | 3.3%        | 406                         | 385              | 5.6%        | 641              | 629             | 1.9%        |
| Ohio                            | 264          | 693              | 637              | 8.7%        | 300                         | 307              | (2.3%)      | 393              | 330             | 18.9%       |
| <b>Totals</b>                   | <b>7,093</b> | <b>\$ 20,776</b> | <b>\$ 19,979</b> | <b>4.0%</b> | <b>\$ 10,202</b>            | <b>\$ 10,030</b> | <b>1.7%</b> | <b>\$ 10,574</b> | <b>\$ 9,949</b> | <b>6.3%</b> |

| Quarter ended December 31, 2017 |  | Average Occupancy |              |               | Weighted Average Monthly Rent per Occupied Unit |               |             |
|---------------------------------|--|-------------------|--------------|---------------|---|---------------|-------------|
|                                 |  | Q1 2018           | Q1 2017      | Growth        | Q1 2018   | Q1 2017       | Growth      |
| Texas (1)                       |  | 93.5%             | 90.3%        | 3.5%          | \$ 931  | \$ 910        | 2.4%        |
| Florida                         |  | 93.2%             | 94.4%        | (1.3%)        | 1,235   | 1,218         | 1.4%        |
| Alabama                         |  | 93.2%             | 95.7%        | (2.7%)        | 745   | 733           | 1.5%        |
| Georgia                         |  | 94.3%             | 94.0%        | 0.4%          | 950   | 915           | 3.8%        |
| Missouri                        |  | 93.5%             | 90.5%        | 3.3%          | 771   | 824           | (6.4%)      |
| South Carolina                  |  | 91.4%             | 94.1%        | (2.9%)        | 1,007   | 997           | 1.0%        |
| Indiana                         |  | 96.2%             | 87.8%        | 9.6%          | 689   | 646           | 6.6%        |
| Mississippi                     |  | 96.7%             | 97.2%        | (0.5%)        | 877   | 854           | 2.7%        |
| Tennessee                       |  | 98.9%             | 97.9%        | 1.0%          | 1,109   | 1,079         | 2.8%        |
| Ohio                            |  | 98.2%             | 96.2%        | 2.1%          | 820   | 769           | 6.7%        |
| <b>Totals</b>                   |  | <b>93.3%</b>      | <b>94.1%</b> | <b>(0.9%)</b> | <b>\$ 925</b>                                   | <b>\$ 907</b> | <b>2.0%</b> |

(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, increases in real estate taxes, and/or increases in insurance.



**Multi-Family Acquisitions and Dispositions**  
**Quarter Ended**  
**December 31, 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 |
|-------------|---------------|--------------|-------------------------|---------------------------|--------------------|----------------------|-------------------------------|
| Madison, AL | 12/7/2017     | 204          | \$ 18,420               | \$ 15,000                 | \$ 4,456           | 80.0%                | \$ 247                        |
| Boerne, TX  | 12/14/2017    | 120          | 11,500 (1)              | 9,200                     | 3,780              | 80.0%                | 239                           |
|             |               | <u>324</u>   | <u>\$ 29,920</u>        | <u>\$ 24,200</u>          | <u>\$ 8,236</u>    |                      | <u>\$ 486</u>                 |

**Acquisitions Subsequent to December 31, 2017**

| Location  | Purchase Date | No. of Units | Contract 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          | \$ 1                 | \$ 1,049                      |

**Dispositions**

| Location      | Sale Date  | No. of Units | Sales Price | Gain on Sale | BRT Portion of Gain on Sale (2) | Mortgage Prepayment Charge | BRT Portion of Mortgage Prepayment Charge |
|---------------|------------|--------------|-------------|--------------|---------------------------------|----------------------------|---|
| Melbourne, FL | 10/25/2017 | 208          | \$ 22,250   | \$ 12,519    | \$ 10,015                       | \$ 260                     | \$ 200                                    |

**Dispositions Subsequent to December 31, 2017**

| Location               | Sale Date | No. of Units | Sales Price | Estimated Gain | BRT Portion of Estimated Gain (3) | Mortgage Prepayment Charge | BRT Portion of Mortgage Prepayment Charge |
|------------------------|-----------|--------------|-------------|----------------|-----------------------------------|----------------------------|---|
| Palm Beach Gardens, FL | 2/5/2018  | 542          | \$ 97,200   | \$ 41,800      | \$ 21,300                         | \$ 594                     | \$ 304                                    |

(1) Includes \$500,000 for the acquisition of a land parcel adjacent to the property.

(2) BRT's gain equals the property gain of \$12,519 less the non-controlling interest of \$2,504.

(3) BRT's estimated gain equals the property gain of \$41,800 less the non-controlling interest of \$20,500.



## Debt Analysis

As of December 31, 2017

(in thousands, except property data amounts)

### Mortgage Debt

| Year       | Total Principal<br>Payments | Scheduled<br>Amortization | Principal Payments<br>Due at Maturity | Percent of Total<br>Principal<br>Payments Due At<br>Maturity | Weighted<br>Average Interest<br>Rate (1) |
|------------|-----------------------------|---------------------------|---------------------------------------|--|--|
| 2018       | \$ 33,503                   | \$ 4,503                  | \$ 29,000                             | 5%   | 3.99%                                    |
| 2019       | 51,011                      | 6,335                     | 44,676                                | 7%   | 3.83%                                    |
| 2020       | 62,145                      | 6,804                     | 55,341                                | 9%   | 3.36%                                    |
| 2021       | 22,386                      | 8,384                     | 14,002                                | 2%   | 4.29%                                    |
| 2022       | 40,593                      | 8,521                     | 32,072                                | 5%   | 4.40%                                    |
| Thereafter | 508,643                     | 40,907                    | 467,736                               | 73%  | 4.18%                                    |
| Total      | <u>\$ 718,281</u>           | <u>\$ 75,454</u>          | <u>\$ 642,827</u>                     | 100%   |  |

|   |           |
|---|-----------|
| Weighted Average Remaining Term to Maturity | 6.9 years |
| Weighted Average Interest Rate              | 4.07%     |
| Debt Service Coverage Ratio (2)             | 1.42      |

(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. 3.17% at 12/31/2017) |
| 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 December 31, |                  |
|---|----------------------------|------------------|
|   | 2017                       | 2016             |
|   | (Unaudited)                | (Unaudited)      |
| GAAP Net income attributable to common stockholders       | \$ 6,351                   | \$ 15,770        |
| Less: Other Income  | (187)                      | (611)            |
| Add: Interest expense                                     | 7,980                      | 6,687            |
| General and administrative                                | 2,303                      | 2,597            |
| Depreciation  | 8,648                      | 6,297            |
| Less: Gain on sale of real estate                         | (12,519)                   | (35,838)         |
| Add: Loss on extinguishment of debt                       | 257                        | 799              |
| Equity in loss of unconsolidated joint ventures           | 25                         | -                |
| Provision for taxes                                       | 106                        | 350              |
| Add: Net income attributable to non-controlling interests | 1,851                      | 16,532           |
| <b>Net Operating Income</b>                               | <b>\$ 14,815</b>           | <b>\$ 12,583</b> |



## 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.

### **Stabilized Properties**

Stabilized properties include all our consolidated properties, other than those in lease-up or development, and for the 2018 quarter, also excludes a Katy, Texas property that was damaged by Hurricane Harvey.

### **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.



## Portfolio Table

As of 2/9/2018

| Property                      | City             | State | Year Built | Property Age | No. of Units | Q1 2018 Avg. Occupancy | Q1 2018 Avg Rent per Occ. Unit | % Ownership |
|-------------------------------|------------------|-------|------------|--------------|--------------|------------------------|--------------------------------|-------------|
| Silvana Oaks                  | North Charleston | SC    | 2010       | 9            | 208          | 97%                    | 1,134                          | 100%        |
| Avondale Station              | Decatur          | GA    | 1950       | 69           | 212          | 98%                    | 1,023                          | 100%        |
| Stonecrossing                 | Houston          | TX    | 1978       | 41           | 240          | 94%                    | 877                            | 91%         |
| Pathway                       | Houston          | TX    | 1979       | 40           | 144          | 93%                    | 900                            | 91%         |
| Brixworth at Bridgestreet     | Huntsville       | AL    | 1985       | 34           | 208          | 96%                    | 725                            | 80%         |
| Newbridge Commons             | Columbus         | OH    | 1999       | 20           | 264          | 98%                    | 820                            | 100%        |
| Waterside at Castleton        | Indianapolis     | IN    | 1983       | 36           | 400          | 96%                    | 689                            | 80%         |
| Crossings of Bellevue         | Nashville        | TN    | 1985       | 34           | 300          | 99%                    | 1,109                          | 80%         |
| Kendall Manor                 | Houston          | TX    | 1981       | 38           | 272          | 92%                    | 835                            | 80%         |
| Avalon                        | Pensacola        | FL    | 2008       | 11           | 276          | 89%                    | 992                            | 98%         |
| Apartments at Venue           | Valley           | AL    | 2008/2009  | 11           | 618          | 92%                    | 752                            | 61%         |
| Parkway Grande                | San Marcos       | TX    | 2014       | 5            | 192          | 93%                    | 1,061                          | 80%         |
| Cedar Lakes                   | Lake St. Louis   | MO    | 1985       | 34           | 420          | 94%                    | 771                            | 80%         |
| Factory at Garco              | North Charleston | SC    | 2017       | 2            | 271          | 79%                    | 973                            | 65%         |
| Woodland Trails               | LaGrange         | GA    | 2010       | 9            | 236          | 96%                    | 904                            | 100%        |
| Retreat at Cinco Ranch        | Katy             | TX    | 2008       | 11           | 268          | 58%                    | 1,460                          | 75%         |
| Grove at River Place          | Macon            | GA    | 1988       | 31           | 240          | 94%                    | 705                            | 80%         |
| Civic Center 1                | Southaven        | MS    | 2002       | 17           | 392          | 97%                    | 854                            | 60%         |
| Verandas at Shavano Park      | San Antonio      | TX    | 2014       | 5            | 288          | 96%                    | 992                            | 65%         |
| Chatham Court and Reflections | Dallas           | TX    | 1986       | 33           | 494          | 93%                    | 906                            | 50%         |
| Waters Edge at Harbison       | Columbia         | SC    | 1996       | 23           | 204          | 86%                    | 862                            | 80%         |
| Pointe at Lenox Park          | Atlanta          | GA    | 1989       | 30           | 271          | 92%                    | 1,152                          | 74%         |
| Civic Center 2                | Southaven        | MS    | 2005       | 14           | 384          | 97%                    | 899                            | 60%         |
| Verandas at Alamo Ranch       | San Antonio      | TX    | 2015       | 4            | 288          | 94%                    | 975                            | 72%         |
| Kilburn Crossing              | Fredericksburg   | VA    | 2005       | 14           | 220          | 93%                    | 1,275                          | 80%         |
| OPOP Towers                   | St. Louis        | MO    | 2014       | 5            | 128          | 89%                    | 1,637                          | 76%         |
| OPOP Lofts                    | St. Louis        | MO    | 2014       | 5            | 53           | 86%                    | 1,454                          | 76%         |
| Vanguard Heights              | Creve Coeur      | MO    | 2016       | 3            | 174          | 79%                    | 1,694                          | 78%         |
| Mercer Crossing               | Dallas           | TX    | 2014/2016  | 5            | 509          | 87%                    | 1,321                          | 50%         |
| Jackson Square                | Tallahassee      | FL    | 1996       | 23           | 242          | 95%                    | 964                            | 80%         |
| Magnolia Pointe               | Madison          | AL    | 1991       | 28           | 204          | 95%                    | 709                            | 80%         |
| Woodland Apartments           | Boerne           | TX    | 2007       | 12           | 120          | 92%                    | 870                            | 80%         |
| The Avenue                    | Ocoee            | FL    | 1998       | 21           | 522          | N/A                    | N/A                            | 50%         |
| <i>Total/Weighted Average</i> |                  |       |            | 20.7         | 9,262        |                        |                                |             |

### Development Projects

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

### Total (Including Development Projects)

**9,664**

| 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  | 11           | 374          | 32%         |
| Gateway Oaks                  | Forney   | TX    | 2016       | 3            | 313          | 50%         |
| <i>Total</i>                  |          |       |            |              | 1,025        |             |

(1) Development project