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): March 11, 2021

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)

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

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

Indicate by check mark whether the registrant 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 March 11, 2021, we issued a press release announcing our results of operations for the three months and twelve months ended December 31, 2020. 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 8.01 Other Events.

We are filing as Exhibit 99.3 (which is incorporated by reference herein) a description of U.S. federal income tax considerations relating to our qualification and taxation as a real estate investment trust, or REIT. The description contained in Exhibit 99.3 to this Form 8-K replaces and supersedes prior descriptions of the U.S. federal income tax treatment of us and our stockholders, including the discussion of such considerations in our prospectus dated November 26, 2019.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press release dated March 11, 2021.
99.2	Supplemental Financial Information.
99.3	Federal Income Tax Considerations.
101	Cover Page Interactive Data File - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document

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.

March 11, 2021

By: /s/ George Zweier

George Zweier, Vice President
and Chief Financial Officer

Exhibit 99.1

BRT APARTMENTS REPORTS FOURTH QUARTER AND YEAR END 2020 RESULTS

- Delivers Strong Operational Performance for Quarter and Year -

Great Neck, New York – March 11, 2021 – BRT APARTMENTS CORP. (NYSE:BRT), a real estate investment trust that owns, operates, and, to a lesser extent, develops multi-family properties, today reported that for the three months ended December 31, 2020, it generated a net loss of $3.30 million, or $0.19 per diluted share, FFO[1] of $4.97 million, or $0.29 per diluted share, and AFFO of $5.64 million, or $0.33 per diluted share, and that for the twelve months ended December 31, 2020, it generated a net loss of $19.86 million, or $1.16 per diluted share, FFO of $17.0 million, or $0.99 per diluted share, and AFFO of $19.21 million, or $1.12 per diluted share.

Jeffrey A. Gould, President and Chief Executive Officer of BRT stated, "In 2020 we increased occupancy by 40 basis points, grew average monthly rental revenue by over 3.0% and generated 2.7% NOI growth at consolidated properties. These key performance metrics along with the contribution from investment actions taken in the prior year helped generate 15.6% AFFO growth on a year-over-year basis. We are proud to have produced these positive results in a year marked with uncertainty due to the pandemic. Early on we proactively exercised caution and took a conservative stance on capital deployment and asset sales. This approach enabled us to protect our balance sheet and the interests of our stockholders. We are confident in our positioning for the year ahead and look forward to resuming the pursuit of external growth opportunities for our stockholders."

Fourth Quarter Operating Results:

Net loss attributable to common stockholders for the quarter ended December 31, 2020 was $3.30 million, or $0.19 per diluted share, compared to net income attributable to common stockholders of $6.15 million, or $0.38 per diluted share, for the corresponding 2019 quarter. Net income for the 2019 quarter includes $9.93 million, or $0.61 per diluted share, of equity in earnings from sale of unconsolidated joint venture properties, $2.15 million, or $0.13 per diluted share of equity in loss of unconsolidated joint ventures and $680,000, or $0.04 per diluted share, of gain on sale of real estate. Net income for the 2020 quarter includes $1.29 million, or $0.08 per diluted share of equity in loss of unconsolidated joint ventures; there were no equity in earnings from sale of unconsolidated joint venture or gain-on-sale of real estate.

FFO was $4.97 million, or $0.29 per diluted share, in the current quarter, compared to $3.51 million, or $0.21 per diluted share, in the corresponding 2019 quarter. AFFO was $5.64 million, or $0.33 per diluted share, in the fourth quarter of 2020, compared to AFFO of $4.86 million, or $0.30 per diluted share, in the corresponding 2019 quarter. The increase in FFO is due to the reduction in debt prepayment charges, higher operating margins at consolidated and unconsolidated properties and a decrease in interest expense, offset by a decrease in insurance recoveries at unconsolidated properties. AFFO increased for the same reasons but was not affected by the debt prepayment charge and the insurance recoveries.

Diluted per share net income, FFO and AFFO for the quarter ended December 31, 2020 reflect the 817,000 increase in the weighted average share count, due to stock issuances pursuant to the Company's at-the-market offering and, to a lesser extent, issuances pursuant to the equity incentive program.

Rental and other revenues from consolidated properties for the quarter ended December 31, 2020 grew 3.8% to $7.03 million from $6.77 million for the three months ended December 31, 2019. Rental revenues increased primarily due to higher

[1] A description and reconciliation of non-GAAP financial measures (e.g., FFO, AFFO and NOI) to GAAP financial measures is presented later in this release.

rental rates. Rental revenues from unconsolidated properties for the quarter ended December 31, 2020 grew 4.0% to $32.33 million from $31.1 million for the three months ended December 31, 2019, due primarily to increased occupancy at two properties that were in lease up in 2019, higher rental rates at unconsolidated same store properties and the net impact of acquisitions and dispositions.

Total expenses at consolidated properties for the current three months decreased 2.9% to $8.97 million from $9.23 million for the three months ended December 31, 2019, due primarily to lower interest expense. Total expenses from unconsolidated properties for the quarter ended December 31, 2020 grew 3.2% to $34.23 million from $33.16 million for the three months ended December 31, 2019.

During the fourth quarter, the Company's NOI at consolidated same store properties grew 9.0% from $3.44 million in the 2019 quarter to $3.75 million in the 2019 quarter driven primarily by higher rental rates.

Results for the Year Ended December 31, 2020:

Net loss attributable to common stockholders in 2020 was $19.86 million, or $1.16 per diluted share, compared to net income of $856,000, or $0.05 per diluted share, in 2019. Net income attributable to common stockholders for 2019 includes $10.62 million, or $0.66 per diluted share, of gain on sale of real estate, $9.93 million, or $0.61 per diluted share, of equity in income from gain on sale of real estate by unconsolidated joint ventures, $8.83 million, or $0.55 per diluted share, equity in loss from unconsolidated joint ventures and $1.39 million, or $0.09 per diluted share, of loss on extinguishment of debt. Net loss in 2020 includes $6.02 million, or $0.35 per diluted share, of equity in loss from unconsolidated joint ventures; there was no equity in income from gain on sale of real estate by unconsolidated and no loss on extinguishment of debt.

FFO was $17.0 million, or $0.99 per diluted share, in 2020, compared to $12.01 million, or $0.74 per diluted share, in 2019. AFFO was $19.21 million, or $1.12 per diluted share, in 2020, compared to $16.63 million, or $1.03 per diluted share, in 2019. FFO increased due primarily to higher operating margins at unconsolidated joint venture properties and the reduction in debt prepayment expense, offset by increased professional fees associated with the previously reported restatement of the Company's financial statements. AFFO grew for the same reasons other than the debt prepayment expense.

Diluted per share net income, FFO and AFFO for the year ended December 31, 2020 reflect the approximate 950,000 increase in the weighted average share count due to stock issuances pursuant to BRT's at-the-market equity sales program and to a lesser extent, issuances pursuant to the equity incentive program.

Rental revenues from consolidated properties rose 1.6 % to $27.45 million from $27.01 million in 2019. The increase is due primarily to the buy-out, in 2019, of a partner's interest in a property and to a lesser extent, higher rental rates at same store properties. The increase was offset by the inclusion, in 2019, of rental revenues from properties sold in 2019. Rental revenues at unconsolidated properties rose 7.5% to $127.06 million from $118.18 million in 2019 due to the higher occupancy at two properties that were in lease up in 2019, increased rental rates at same store properties and net acquisitions and dispositions, offset by the buyout, in 2019, of a partner's interest in a property.

Total expenses at consolidated properties increased 15.0% to $41.56 million from $36.14 million in 2019. The changes are due primarily to professional fees related to the restatement described in our Annual Report on Form 10-K for the year ended December 31, 2019 and non-cash expense related to equity-based awards, offset by a reduction in interest expense. Expenses from unconsolidated properties rose 4.6% to $136.90 million from $130.93 million in 2019 due to increased real estate taxes at same store properties and increased real estate tax and depreciation at two properties in lease up in 2019. The increase was offset by reductions in operating expenses and depreciation due to the buyout, in 2019, of a partner's interest in a property.

For 2020, the Company's NOI increased by 2.7% from $14.68 million in 2019 to $15.07 million in 2020 driven primarily by $907,000 from the 2019 partner buyout, $320,000 from same store properties, offset by $784,000 due to the sale of two properties in 2019.

At December 31, 2020: (i) eight multi-family properties located in six states with an aggregate of 1,880 units and a carrying value of $153.6 million, are wholly-owned by the Company; and (ii) the Company has ownership interests, through unconsolidated entities, in 31 multi-family properties located in nine states with an aggregate of 9,162 units and the carrying value of our net equity investment therein is $169.4 million.

Balance Sheet:

At December 31, 2020, the Company had $19.89 million of cash and cash equivalents, total assets of $365.74 million, total debt of $167.52 million and total BRT Apartments Corp. stockholders' equity of $177.77 million. At February 28, 2021, the Company had approximately $17.26 million of cash and cash equivalents. During 2020, the Company raised approximately

$12.11 million of equity on its at-the-market equity sales program, selling 694,298 shares at a weighted average per share price of $17.71.

Subsequent Events:

On March 3, 2021,we entered into an agreement to sell Kendall Manor-Houston, Texas to an unrelated third party, for approximately $24.5 million and anticipate the transaction will close, subject to satisfaction of certain conditions, in April or May 2021. We estimate that we will recognize a gain on sale of this property of approximately $7.5 million. In 2020, our rental revenues, operating expenses, interest expense and depreciation associated with this property were $2.9 million, $1.9 million, $675,000 and $848,000, respectively.

On February 2, 2021,we entered into an agreement to sell to our joint venture partner our 80% interest in Anatole Apartments - Daytona Beach, Florida for approximately $7.4 million and anticipate the transaction will close, subject to satisfaction of customary closing conditions, in March or April 2021. We estimate that we will recognize a gain on sale of our partnership interest of $2 million from such sale. In 2020, equity in loss from unconsolidated joint ventures from this property was $250,000.

Dividend:

On March 11, 2021, the Board of Directors declared a common stock dividend of $0.22 per share which is payable on April 7, 2021 to stockholders of record on March 24, 2021.

Conference Call and Webcast Information:

The Company will host a conference call and webcast to review its financial results with investors and other interested parties at 8:30 a.m. ET on Friday, March 12, 2021. The call will be hosted by Jeffrey A. Gould, Chief Executive Officer. To participate in the conference call, callers from the United States and Canada should dial 1-877-407-9208, and international callers should dial 1-201-493-6784, ten minutes prior to the scheduled call time. The webcast may also be accessed live by visiting the Company's investor relations website under the "webcast" tab at https://brtapartments.com/investor-relations.

A replay of the conference call will be available after 11:30 a.m. ET on Friday, March 12, 2021 through 11:59 p.m. ET on Friday, March 26, 2021. To access the replay, listeners may use 1-844-512-2921 (domestic) or 1-412-317-6671 (international). The passcode for the replay is 13715640.

Non-GAAP Financial Measures:

BRT discloses FFO, AFFO and NOI because it believes that such metrics are widely recognized and appropriate measure of the performance of a multi-family 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 are 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); and gain on insurance recovery. Since the NAREIT White Paper only provides guidelines for computing FFO, the computation of AFFO may vary from one REIT to another.

BRT computes NOI by adjusting net income (loss) to (a) add back (1) depreciation expense, (2) general and administrative expenses, (3) interest expense, (4) loss on extinguishment of debt, (5) equity in loss of unconsolidated joint ventures, (6) provision for taxes, (7) the impact of non-controlling interests, and (b) deduct (1) other income, (2) gain on sale of real estate, and (3) gain on insurance recoveries related to casualty loss. BRT defines "Same Store NOI" as NOI for all its properties that were owned for the entirety of the periods being presented, other than properties in lease up, development, and, because of the casualty it suffered in 2017 from Hurricane Harvey, Retreat at Cinco Ranch located in Katy, Texas. Because there is no industry standard definition of NOI and practice is divergent across the industry, the computation of NOI may from one REIT to another.

BRT believes that FFO, AFFO and NOI 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 such metrics 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. BRT views Same Store NOI as an important measure of operating performance because it allows a comparison of operating results of properties owned for the entirety of the current and comparable periods and therefore eliminates variations caused by acquisitions or dispositions during the periods.

FFO, AFFO and NOI do not represent net income or cash flows from operations as defined by GAAP. FFO, AFFO and NOI should not be considered to be an alternative to net income as a reliable measure of our operating performance; nor should FFO, AFFO and NOI 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. 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. Other factors that could cause BRT's actual results, performance or achievements to differ materially from its expectations include: the recent restatement and ongoing review of its financial statements, accounting, accounting policies and internal control over financial reporting; the preparation of, and the audit or review, as applicable, of restated filings; the subsequent discovery of additional adjustments to its previously issued financial statements; and the impact of the COVID-19 pandemic on its operations, liquidity and capital resources. Investors are cautioned not to place undue reliance on any forward-looking statements and to carefully review the section entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2020.

Additional Information:

BRT is a real estate investment trust that owns, operates and develops multi-family properties. Interested parties are urged to review the Annual Report on Form 10-K to be filed with the Securities and Exchange Commission for the year ended December 31, 2020 on the investor relations section of the Company's website at: http://brtapartments.com/investor_relations for further details. For additional information on BRT's operations, activities and properties, please visit its website at www.brtapartments.com

Contact: Investor Relations

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

	December 31, 2020	December 31, 2019
ASSETS		
Real estate properties, net of accumulated depreciation	$ 160,192	$ 169,689
Real estate loan	—	4,150
Cash and cash equivalents	19,885	22,699
Restricted cash	8,800	9,719
Investment in unconsolidated joint ventures	169,474	177,071
Other assets	7,390	7,282
Total Assets	$ 365,741	$ 390,610
LIABILITIES AND EQUITY		
Mortgages payable, net of deferred costs	$ 130,434	$ 133,215
Junior subordinated notes, net of deferred costs	37,083	37,063
Accounts payable and accrued liabilities	20,536	20,772
Total Liabilities	188,053	191,050
Total BRT Apartments Corp. stockholders’ equity	177,772	199,653
Non-controlling interests	(84)	(93)
Total Equity	177,688	199,560
Total Liabilities and Equity	$ 365,741	$ 390,610

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

	Three Months Ended December 31, (unaudited)		Twelve months Ended December 31,	
	2020	2019	2020	2019
Revenues:				
Rental and other revenue	$ 7,029	$ 6,765	$ 27,451	$ 27,009
Other income	20	157	651	752
Total revenues	7,049	6,922	28,102	27,761
Expenses:				
Real estate operating expenses	3,026	3,090	12,377	12,332
Interest expense	1,700	1,931	7,100	7,796
General and administrative	2,647	2,636	11,701	10,091
Impairment charge	—	—	3,642	—
Depreciation	1,595	1,568	6,742	5,916
Total expenses	8,968	9,225	41,562	36,135
Total revenues less total expenses	(1,919)	(2,303)	(13,460)	(8,374)
Equity in loss of unconsolidated joint ventures	(1,293)	(2,150)	(6,024)	(8,826)
Equity in earnings from sale of unconsolidated joint venture properties	—	9,932	—	9,932
Gain on sale of real estate	—	680	—	10,618
Loss on extinguishment of debt	—	—	—	(1,387)
(Loss) income from continuing operations	(3,212)	6,159	(19,484)	1,963
Provision for taxes	56	51	248	270
(Loss) income from continuing operations, net of taxes	(3,268)	6,108	(19,732)	1,693
(Income) loss attributable to non-controlling interests	(33)	40	(130)	(837)
Net (loss) income attributable to common stockholders	$ (3,301)	$ 6,148	$ (19,862)	$ 856
Per share amounts attributable to common stockholders:				
Basic	$ (0.19)	$ 0.38	$ (1.16)	$ 0.05
Diluted	$ (0.19)	$ 0.38	$ (1.16)	$ 0.05
Funds from operations - Note 1	$ 4,960	$ 3,507	$ 16,999	12,010
Funds from operations per common share - diluted - Note 2	$ 0.29	$ 0.21	$ 0.99	$ 0.74
Adjusted funds from operations - Note 1	$ 5,639	$ 4,861	$ 19,213	$ 16,627
Adjusted funds from operations per common share - diluted -Note 2	$ 0.33	$ 0.30	$ 1.12	$ 1.03
Weighted average number of common shares outstanding:				
Basic	17,176,401	16,159,308	17,115,697	15,965,631
Diluted	17,176,401	16,359,308	17,115,697	16,165,631

BRT APARTMENTS CORP. AND SUBSIDIARIES
FUNDS FROM OPERATIONS
(Unaudited)
(Dollars in thousands, except per share data)

	Three Months Ended December 31,		Twelve months Ended December 31,	
	2020	**2019**	**2020**	**2019**
Note 1:				
Funds from operations is summarized in the following table:				
Net (loss)income attributable to common stockholders	$ (3,301)	$ 6,148	$ (19,862)	$ 856
Add: depreciation of properties	1,595	1,568	6,742	5,916
Add: impairment charge	—	—	3,642	—
Add: our share of depreciation from unconsolidated joint venture properties	6,670	6,409	26,493	24,935
Deduct: our share of earnings from sale of unconsolidated joint venture properties	—	(9,932)	—	(9,932)
Deduct: gain on sales of real estate	—	(680)	—	(10,618)
Adjustment for non-controlling interests	(4)	(6)	(16)	853
NAREIT Funds from operations attributable to common stockholders	4,960	3,507	$ 16,999	$ 12,010
Adjust for: straight-line rent accruals	(10)	(10)	(40)	(40)
Add: loss on extinguishment of debt	—	—	—	1,387
Add: our share of loss on extinguishment of debt from unconsolidated joint venture properties	—	963	—	1,236
Add: amortization of restricted stock and RSU expense	461	383	1,821	1,492
Add: amortization of deferred mortgage and debt costs	80	83	320	311
Add: our share of deferred mortgage costs from unconsolidated joint venture properties	147	149	626	980
Less: our share of gain on insurance proceeds from unconsolidated joint venture properties	—	(216)	(519)	(630)
Adjustment for non-controlling interests	1	2	6	(119)
Adjusted funds from operations attributable to common shareholders	$ 5,639	$ 4,861	$ 19,213	$ 16,627
Note 2:				
Funds from operations per share is summarized in the following table:				
Net (loss) income attributable to common stockholders	$ (0.19)	$ 0.38	$ (1.16)	$ 0.05
Add: depreciation of properties	0.09	0.09	0.39	0.37
Add: impairment charge	—	—	0.21	—
Add: our share of depreciation from unconsolidated joint venture properties	0.39	0.39	1.55	1.54
Deduct: our share of earnings from sale of unconsolidated joint venture properties	—	(0.61)	—	(0.61)
Deduct: gain on sales of real estate	—	(0.04)	—	(0.66)
Adjustment for non-controlling interests	—	—	—	0.05
NAREIT Funds from operations per common share basic and diluted	0.29	0.21	$ 0.99	$ 0.74
Adjustments for straight line rent accruals	—	—	—	—
Add: loss on extinguishment of debt	—	—	—	0.09
Add: our share of loss on extinguishment of debt from unconsolidated joint ventures	—	0.06	—	0.08
Add: amortization of restricted stock and RSU expense	0.03	0.02	0.10	0.09
Add: amortization of deferred mortgage and debt costs	—	0.01	0.02	0.02
Add: our share of amortization of deferred mortgage and debt costs from unconsolidated ventures	0.01	0.01	0.04	0.06
Deduct: gain on insurance recovery	—	(0.01)	(0.03)	(0.04)
Adjustments for non-controlling interests	—	—	—	(0.01)
Adjusted funds from operations per common share basic and diluted	$ 0.33	$ 0.30	$ 1.12	$ 1.03

BRT APARTMENTS CORP. AND SUBSIDIARIES
RECONCILIATION OF NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS TO NOI
(Dollars in thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	**2019**	**2020**	**2019**
GAAP Net income attributable to common stockholders	$ (3,301)	$ 6,148	$ (19,862)	$ 856
Less: Other Income	(20)	(157)	(651)	(752)
Add: Interest expense	1,700	1,931	7,100	7,796
General and administrative	2,647	2,636	11,701	10,091
Depreciation	1,595	1,568	6,742	5,916
Impairment charge	—	—	3,642	—
Provision for taxes	56	51	248	270
Less: Gain on sale of real estate	—	(680)	—	(10,618)
Add: Loss on extinguishment of debt	—	—	0	1,387
Equity in loss of unconsolidated joint venture properties	1,293	2,150	6,024	8,826
Less: Equity in earnings from sale of unconsolidated joint venture properties	—	(9,932)	—	(9,932)
Add: Net income attributable to non-controlling interests	33	(40)	130	837
Net Operating Income	$ 4,003	$ 3,675	$ 15,074	$ 14,677
Less: Non same store and non multi family				
Revenues	(374)	(372)	(3,982)	(4,469)
Operating Expenses	125	137	1,800	2,364
Same Store Net Operating Income	$ 3,754	$ 3,440	$ 12,892	$ 12,572

Exhibit 99.2

SUPPLEMENTAL FINANCIAL INFORMATION FOR THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2020

March 11, 2021

60 Cutter Mill Rd., Great Neck, NY 11021

FORWARD LOOKING STATEMENTS

The information set forth herein contains certain forward-looking statements 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. We intend such forward-looking statements to be covered by the safe harbor provision for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may", "will", "believe", "expect", "intend", "anticipate", "estimate", "project", or similar expressions or variations thereof. Forward-looking statements involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performance or achievements. Investors are cautioned not to place undue reliance on any forward-looking statements and are urged to read the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K to be filed on or about March 15, 2021.

We undertake no obligation to update or revise the information herein, whether as a result of new information, future events or circumstances, or otherwise.

Units under rehabilitation for which we have received or accrued rental income from business interruption insurance, while not physically occupied, are treated as leased (i.e., occupied) at rental rates in effect at the time of the casualty.

We use pro rata (as defined under "Non-GAAP Financial Measures and Definitions") to help the reader gain a better understanding of our unconsolidated joint ventures. However, the use of pro rata information has certain limitations and is not representative of our operations and accounts as presented in accordance with GAAP. Accordingly, pro rata information should be used with caution and in conjunction with the GAAP data presented herein and in our reports filed with the SEC.

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	As at December 31,			
	2020		2019	
Market capitalization (thousands)	$ 261,075		$ 277,680	
Shares outstanding (thousands)	17,176		16,363	
Closing share price	$ 15.20		$ 16.97	
Quarterly dividend declared per share	$ 0.22		$ 0.22	
Multi-family properties owned	39		38	
Units (1)	11,042		10,778	
Average occupancy (2)	94.5	%	94.1	%
Average monthly rental revenue per occupied unit (2)	$ 1,088		$ 1,056	

	Quarter ended December 31,		Twelve months ended December 31,	
Per share data	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
(Loss) earnings per share basic	$ (0.19)	$ 0.38	$ (1.16)	$ 0.05
(Loss) earnings per share diluted	$ (0.19)	$ 0.38	$ (1.16)	$ 0.05
FFO per share of common stock (diluted) (3)	$ 0.29	$ 0.21	$ 0.99	$ 0.74
AFFO per share of common stock (diluted) (3)	$ 0.33	$ 0.30	$ 1.12	$ 1.03

(1) For 2020, includes 1,880 units owned by consolidated subsidiaries and 9,162 units owned by unconsolidated subsidiaries. For 2019, includes 1,880 units owned by consolidated subsidiaries and 8,898 units owned by unconsolidated subsidiaries. Unconsolidated for 2020 and 2019 includes 741 units that were previously in lease-up

(2) For the period presented, average reflects stabilized properties and includes consolidated and unconsolidated assets.
See definition of stabilized properties under "Non-GAAP Financial Measures and Definitions."

(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, and the definitions of such terms under "Non-GAAP Financial Measures and Definitions."

Operating Results

(dollars in thousands except per share data)

	Three Months Ended December 31, (Unaudited)		Twelve months Ended December 31,	
	2020	2019	2020	2019
Revenues:				
Rental revenue	$ 7,029	$ 6,765	$ 27,451	$ 27,009
Other income	20	157	651	752
Total revenues	7,049	6,922	28,102	27,761
Expenses:				
Real estate operating expenses	3,026	3,090	12,377	12,332
Interest expense	1,700	1,931	7,100	7,796
General and administrative (1)	2,647	2,636	11,701	10,091
Impairment charge	—	—	3,642	—
Depreciation	1,595	1,568	6,742	5,916
Total expenses	8,968	9,225	41,562	36,135
Total revenues less total expenses	(1,919)	(2,303)	(13,460)	(8,374)
Equity in loss of unconsolidated joint ventures	(1,293)	(2,150)	(6,024)	(8,826)
Equity in earnings from sale of unconsolidated joint venture properties	—	9,932	—	9,932
Gain on sale of real estate	—	680	—	10,618
Loss on extinguishment of debt	—	—	—	(1,387)
(Loss) income from continuing operations	(3,212)	6,159	(19,484)	1,963
Income tax provision	56	51	248	270
Net (loss) income from continuing operations, net of taxes	(3,268)	6,108	(19,732)	1,693
Net income attributable to non-controlling interests	(33)	40	(130)	(837)
Net (loss) income attributable to common stockholders	$ (3,301)	$ 6,148	$ (19,862)	$ 856
Weighted average number of shares of common stock outstanding:				
Basic	17,176,401	16,159,308	17,115,697	15,965,631
Diluted	17,176,401	16,359,308	17,115,697	16,165,631
Per share amounts attributable to common stockholders:				
Basic	$ (0.19)	$ 0.38	$ (1.16)	$ 0.05
Diluted	$ (0.19)	$ 0.38	$ (1.16)	$ 0.05

(1) Includes $14,000 and $712,000 in fees relating to the restatement for the three and twelve months ended December 31, 2020, respectively.

Operating Results of Unconsolidated Properties

(dollars in thousands, except per share data)

	Three Months Ended December 31, (Unaudited)		Twelve months Ended December 31,	
	2020	2019	2020	2019
Revenues:				
Rental and other revenue	$ 32,332	$ 31,101	$ 127,058	$ 118,177
Total revenues	32,332	31,101	127,058	118,177
Expenses:				
Real estate operating expenses	15,028	14,072	60,326	56,684
Interest expense	8,732	8,995	34,918	35,023
Depreciation	10,473	10,097	41,657	39,218
Total expenses	34,233	33,164	136,901	130,925
Total revenues less total expenses	(1,901)	(2,063)	(9,843)	(12,748)
Gain on sale of real estate properties	—	16,899	—	16,899
Loss on extinguishment of debt	—	(1,639)	—	(2,018)
Other equity earnings	3	15	117	177
Gain on insurance recoveries	—	270	765	787
Net (Loss) income from joint ventures	$ (1,898)	$ 13,482	$ (8,961)	$ 3,097
BRT equity in loss and equity in earnings from sale of unconsolidated joint venture properties	$ (1,293)	$ 7,782	$ (6,024)	$ 1,106

Funds from Operations
(dollars in thousands, except per share data)

	Three Months Ended December 31,		Twelve months Ended December 31,	
	2020	2019	2020	2019
GAAP Net (loss) income attributable to common stockholders	$ (3,301)	$ 6,148	$ (19,862)	$ 856
Add: depreciation of properties	1,595	1,568	6,742	5,916
Add: our share of depreciation in unconsolidated joint ventures	6,670	6,409	26,493	24,935
Add: Impairment charge	—	—	3,642	—
Deduct: our share of earnings from sale of unconsolidated joint venture properties	—	(9,932)	—	(9,932)
Deduct: gain on sale of real estate	—	(680)	—	(10,618)
Adjustments for non-controlling interests	(4)	(6)	(16)	853
NAREIT Funds from operations attributable to common stockholders	$ 4,960	$ 3,507	$ 16,999	$ 12,010
Adjustments for: straight-line rent accruals	(10)	(10)	(40)	(40)
Add: loss on extinguishment of debt	—	—	—	1,387
Add: our share of loss on extinguishment of debt from unconsolidated joint ventures	—	963	—	1,236
Add: amortization of restricted stock and restricted stock units	461	383	1,821	1,492
Add: amortization of deferred mortgage costs	80	83	320	311
Add: our share of deferred mortgage costs from unconsolidated joint venture properties	147	149	626	980
Less: our share of gain on insurance proceeds from unconsolidated joint venture	—	(216)	(519)	(630)
Adjustments for non-controlling interests	1	2	6	(119)
Adjusted funds from operations attributable to common stockholders	$ 5,639	$ 4,861	$ 19,213	$ 16,627

	Three Months Ended December 31,		Twelve months Ended December 31,	
	2020	2019	2020	2019
GAAP Net loss attributable to common stockholders	$ (0.19)	$ 0.38	$ (1.16)	$ 0.05
Add: depreciation of properties	0.09	0.09	0.39	0.37
Add: our share of depreciation in unconsolidated joint ventures	0.39	0.39	1.55	1.54
Add: Impairment charge	—	—	0.21	—
Deduct our share of earnings on sale of real estate in unconsolidated joint venture	—	(0.61)	—	(0.61)
Deduct: gain on sale of real estate	—	(0.04)	—	(0.66)
Adjustment for non-controlling interests	—	—	—	0.05
NAREIT Funds from operations per diluted common share	0.29	0.21	0.99	0.74
Adjustments for: straight line rent accruals	—	—	—	—
Add: loss on extinguishment of debt	—	—	—	0.09
Add: our share of loss on extinguishment of debt from unconsolidated joint ventures	—	0.06	—	0.08
Add: amortization of restricted stock and restricted stock units	0.03	0.02	0.10	0.09
Add: amortization of deferred mortgage costs	—	0.01	0.02	0.02
Add: our share of deferred mortgage costs from unconsolidated joint venture properties	0.01	0.01	0.04	0.06
Less: our share of gain on insurance proceeds from unconsolidated joint venture	—	(0.01)	(0.03)	(0.04)
Adjustments for non-controlling interests	—	—	—	(0.01)
Adjusted funds from operations per diluted common share	$ 0.33	$ 0.30	$ 1.12	$ 1.03

Consolidated Balance Sheets
(amounts in thousands, except per share amounts)

	December 31, 2020	December 31, 2019
ASSETS		
Real estate properties, net	$ 160,192	$ 169,689
Real estate loan	—	4,150
Cash and cash equivalents	19,885	22,699
Restricted cash	8,800	9,719
Investments in unconsolidated joint ventures	169,474	177,071
Other assets	7,390	7,282
Total Assets	$ 365,741	$ 390,610
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, net of deferred costs	$ 130,434	$ 133,215
Junior subordinated notes, net of deferred costs	37,083	37,063
Accounts payable and accrued liabilities	20,536	20,772
Total Liabilities	188,053	191,050
Commitments and contingencies		
Equity:		
BRT Apartments Corp. stockholders' equity:	—	—
Preferred shares $.01 par value 2,000 shares authorized, none issued		
Common stock, $.01 par value, 300,000 shares authorized;	164	156
16,432 and 15,638 shares outstanding	245,605	232,331
Additional paid-in capital	(19)	(10)
Accumulated other comprehensive loss	(67,978)	(32,824)
Accumulated deficit	177,772	199,653
Total BRT Apartments Corp. stockholders' equity	(84)	(93)
Non-controlling interests	177,688	199,560
Total Equity	$ 365,741	$ 390,610
Total Liabilities and Equity		

Balance Sheet of Unconsolidated Joint Venture Entities
(amounts in thousands, except per share amounts)

At December 31, 2020, the Company held interests in unconsolidated joint ventures that own 31 multi-family properties (the "Unconsolidated Properties"). The condensed balance sheet below present information regarding such properties (dollars in thousands):

		December 31, 2020
ASSETS		
Real estate properties, net of accumulated depreciation of $145,600	$	1,075,178
Cash and cash equivalents		16,939
Other assets		29,392
Total Assets	$	1,121,509
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, net of deferred costs of $563		829,646
Accounts payable and accrued liabilities		20,237
Total Liabilities		849,883
Commitments and contingencies		
Equity:		
Total unconsolidated joint venture equity		271,626
Total Liabilities and Equity	$	1,121,509
BRT interest in joint venture equity	$	169,474
Unconsolidated Mortgages Payable:		
BRT's pro-rata share	$	525,709
Partner's pro rata share		303,937
Total	$	829,646

Portfolio Data by State
Quarter ended December 31, 2020
(dollars in thousands, except monthly rent amounts)

Consolidated

	Units	Revenues	Property Operating Expenses	NOI (1)	% of NOI Contribution	Weighted Average Occupancy (2)	Weighted Average Rent per Occ. Unit (2)
Texas	464	$1,356	$743	$613	15 %	92.3 %	$ 895
Georgia	448	1,606	644	962	26 %	95.8 %	1,105
Florida	276	1,070	448	622	16 %	97.9 %	1,174
Ohio	264	784	342	442	11 %	97.4 %	934
Virginia	220	1,029	342	687	17 %	98.6 %	1,416
South Carolina	208	810	382	428	11 %	93.6 %	1,195
Other (3)	—	374	125	249	4 %	N/A	N/A
Current Portfolio Totals	**1,880**	**$7,029**	**$3,026**	**$4,003**	**100 %**	**95.6 %**	**$ 1,088**

Unconsolidated (Pro-Rata Share) [1]

	Units	Revenues	Property Operating Expenses	NOI (1)	% of NOI Contribution	Weighted Average Occupancy (2)	Weighted Average Rent per Occ. Unit (2)
Texas	2,561	$5,178	$2,590	$2,588	24 %	91.2 %	$ 1,108
South Carolina	1,183	2,314	1,159	1,155	11 %	93.5 %	1,103
Georgia	1,097	2,521	1,238	1,283	12 %	95.9 %	1,130
Florida	972	2,195	1,009	1,186	11 %	94.5 %	1,073
Alabama	940	2,377	926	1,451	13 %	97.8 %	932
Mississippi	776	1,477	496	981	9 %	97.8 %	1,013
Tennessee	702	1,718	866	852	8 %	96.8 %	1,176
North Carolina	576	1,443	673	770	7 %	96.3 %	1,047
Missouri	355	1,264	585	679	5 %	91.7 %	1,433
Current Portfolio Totals	**9,162**	**$20,487**	**$9,542**	**$10,945**	**100 %**	**94.3 %**	**$ 1,089**

(1) See the reconciliation of NOI to net income, as calculated in accordance with GAAP, and the definition of NOI and pro-rata share under "Non-GAAP Financial Measures and Definitions."
(2) Excludes properties that were sold or not stabilized for the full period presented.
(3) Includes properties sold during the periods presented and legacy assets.

Consolidated

	Units	Revenues	Property Operating Expenses	NOI (1)	% of NOI Contribution	Weighted Average Occupancy (2)	Weighted Average Rent per Occ. Unit (2)
Texas	464	$5,442	$3,173	$2,269	15%	92.7%	$918
Georgia	448	6,316	2,514	3,802	25%	96.0%	1,089
Florida	276	4,002	1,671	2,331	15%	95.3%	1,124
Ohio	264	3,039	1,348	1,691	11%	95.2%	929
Virginia	220	4,006	1,515	2,491	17%	96.2%	1,411
South Carolina	208	3,218	1,676	1,542	10%	93.2%	1,182
Other (3)	—	1,428	480	948	6%	N/A	N/A
Current Portfolio Totals	**1,880**	**$27,451**	**$12,377**	**$15,074**	**100%**	**94.7%**	**$1,079**

Unconsolidated (Pro-Rata Share)(1)

	Units	Revenues	Property Operating Expenses	NOI (1)	% of NOI Contribution	Average Occupancy (2)	Average Rent per Occ. Unit (2)
Texas	2,561	$20,748	$10,924	$9,824	23%	91.1%	$1,116
South Carolina	1,183	9,026	4,620	4,406	10%	91.9%	1,103
Georgia	1,097	9,697	4,734	4,963	12%	93.9%	1,114
Florida	972	8,574	4,172	4,402	10%	94.5%	1,061
Alabama	940	9,241	3,960	5,281	13%	97.4%	915
Mississippi	776	5,767	2,062	3,705	9%	96.9%	994
Tennessee	702	6,782	3,093	3,689	9%	96.3%	1,186
North Carolina	576	5,394	2,323	3,071	7%	94.0%	1,002
Missouri	355	5,213	2,386	2,827	7%	96.5%	1,473
Other (3)	—	16	35	(19)	—	N/A	N/A
Current Portfolio Totals	**9,162**	**$80,458**	**$38,309**	**$42,149**	**100%**	**93.5%**	**$1,083**

(1) See the reconciliation of NOI to net income, as calculated in accordance with GAAP, and the definition of NOI and pro-rata share under "Non-GAAP Financial Measures and Definitions."
(2) Excludes properties that were sold or not stabilized for the full period presented.
(3) Includes properties sold during the periods presented and legacy assets.

Consolidated Same Store Comparisons
Quarters ended December 31, 2020 and 2019
(dollars in thousands, except monthly rent amounts)

		Revenues			Property Operating Expenses			NOI		
	Units	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
Georgia	448	$1,606	$1,543	4.1 %	$644	$544	18.4 %	$962	$999	(3.7) %
Florida	276	1,070	960	11.5 %	448	459	(2.4) %	622	501	24.2 %
Texas	464	1,356	1,377	(1.5) %	743	790	(5.9) %	613	587	4.4 %
Ohio	264	784	744	5.4 %	342	317	7.9 %	442	427	3.5 %
Virginia	220	1,029	983	4.7 %	342	378	(9.5) %	687	605	13.6 %
South Carolina	208	810	786	3.1 %	382	465	(17.8) %	428	321	33.3 %
Totals	**1,880**	**$6,655**	**$6,393**	**4.1 %**	**$2,901**	**$2,953**	**(1.8)%**	**$3,754**	**$3,440**	**9.1 %**

	Weighted Average Occupancy			Weighted Average Monthly Rent per Occupied Unit		
	2020	2019	% Change	2020	2019	% Change
Georgia	95.8 %	96.6 %	(0.8) %	$1,105	$1,053	4.9 %
Florida	97.9 %	94.0 %	4.1 %	1,174	1,099	6.8 %
Texas	92.3 %	91.0 %	1.4 %	895	922	(2.9) %
Ohio	97.4 %	96.3 %	1.1 %	934	897	4.1 %
Virginia	98.6 %	93.8 %	5.1 %	1,416	1,412	0.3 %
South Carolina	93.6 %	93.0 %	0.6 %	1,195	1,172	2.0 %
Weighted Average	**95.6 %**	**94.1 %**	**1.6 %**	**$1,088**	**$1,061**	**2.5 %**

See definition of Same Store under "Non-GAAP Financial Measures and Definitions"
See the reconciliation of NOI to net income, as calculated in accordance with GAAP, and the definition of NOI and pro-rata share under "Non-GAAP Financial Measures and Definitions."

Consolidated Same Store Comparisons
Twelve months ended December 31, 2020 and 2019
(dollars in thousands, except monthly rent amounts)

		Revenues			Property Operating Expenses			NOI		
	Units	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
Georgia	448	$7,045	$6,809	3.5 %	$2,863	$2,705	5.8 %	$4,182	$4,104	1.9 %
Florida	276	3,099	2,969	4.4 %	1,671	1,679	(0.5)%	1,428	1,290	10.7 %
Texas	272	3,217	3,013	6.8 %	1,676	1,650	1.6 %	1,541	1,363	13.1 %
Ohio	264	3,218	3,204	0.4 %	1,195	1,141	4.7 %	2,023	2,063	(1.9)%
Virginia	220	4,002	3,840	4.2 %	1,319	1,227	7.5 %	2,683	2,613	2.7 %
South Carolina	208	2,888	2,705	6.8 %	1,853	1,566	18.3 %	1,035	1,139	(9.1)%
Totals	**1,688**	**$23,469**	**$22,540**	**4.1 %**	**$10,577**	**$9,968**	**6.1 %**	**$12,892**	**$12,572**	**2.5 %**

	Weighted Average Occupancy			Weighted Average Monthly Rent per Occupied Unit		
	2020	2019	% Change	2020	2019	% Change
Georgia	96.0 %	96.1 %	(0.1)%	$1,089	$1,027	6.0 %
Florida	95.3 %	96.4 %	(1.1)%	1,124	1,065	5.5 %
Texas	92.1 %	89.5 %	2.9 %	834	802	4.0 %
Ohio	95.2 %	95.2 %	0.0 %	929	898	3.5 %
Virginia	96.2 %	95.1 %	1.2 %	1,411	1,389	1.6 %
South Carolina	93.2 %	94.5 %	(1.4)%	1,182	1,161	1.8 %
Weighted Average	**94.8 %**	**94.6 %**	**0.2 %**	**$1,084**	**$1,042**	**4.0 %**

See definition of Same Store under "Non-GAAP Financial Measures and Definitions"

Unconsolidated Same Store Comparisons
Quarters ended December 31, 2020 and 2019
BRT Pro-rata Share
(dollars in thousands, except monthly rent amounts)

		Revenues			Property Operating Expenses			NOI		
	Units	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**
Texas	2,561	$5,176	$5,225	(0.9)%	$2,590	$2,427	6.7 %	$2,586	$2,798	(7.6)%
Georgia	1,097	2,521	2,397	5.2 %	1,238	1,060	16.8 %	1,283	1,337	(4.0)%
Florida	972	2,197	2,095	4.9 %	1,015	1,018	(0.3)%	1,182	1,077	9.7 %
South Carolina	844	1,708	1,654	3.3 %	935	895	4.5 %	773	759	1.8 %
Mississippi	776	1,477	1,392	6.1 %	496	510	(2.7)%	981	882	11.2 %
Alabama	940	2,377	2,218	7.2 %	926	958	(3.3)%	1,451	1,260	15.2 %
Missouri	355	1,264	1,267	(0.2)%	585	595	(1.7)%	679	672	1.0 %
North Carolina	312	806	757	6.5 %	399	334	19.5 %	407	423	(3.8)%
Tennessee	300	876	877	(0.1)%	381	315	21.0 %	495	562	(11.9)%
Totals	**8,157**	**$18,402**	**$17,882**	**2.9 %**	**$8,565**	**$8,112**	**5.6 %**	**$9,837**	**$9,770**	**0.7 %**

	Weighted Average Occupancy			Weighted Average Monthly Rent per Occupied Unit		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
Texas	91.2 %	92.2 %	(1.1)%	$1,108	$1,118	(0.9)%
Georgia	96.0 %	92.1 %	4.2 %	1,130	1,113	1.5 %
Florida	94.5 %	93.4 %	1.2 %	1,073	1,061	1.1 %
South Carolina	93.3 %	90.9 %	2.6 %	1,103	1,124	(1.9)%
Mississippi	97.8 %	96.1 %	1.8 %	1,013	967	4.8 %
Alabama	97.8 %	96.1 %	1.8 %	932	894	4.3 %
Missouri	91.7 %	94.7 %	(3.2)%	1,433	1,462	(2.0)%
North Carolina	96.3 %	96.0 %	0.3 %	1,104	1,105	(0.1)%
Tennessee	96.9 %	90.6 %	7.0 %	1,176	1,184	(0.7)%
Weighted Average	**94.3 %**	**93.2 %**	**1.2 %**	**$1,092**	**$1,087**	**0.5 %**

See definition of Same Store under "Non-GAAP Financial Measures and Definitions"
See the reconciliation of NOI to net income, as calculated in accordance with GAAP, and the definition of NOI and pro-rata share under "Non-GAAP Financial Measures and Definitions."

Unconsolidated Same Store Comparisons
Twelve months ended December 31, 2020 and 2019
BRT Pro-rata Share
(dollars in thousands, except monthly rent amounts)

		Revenues			Property Operating Expenses			NOI		
	Units	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**
Texas	2,561	$20,747	$20,601	0.7 %	$10,922	$10,384	5.2 %	$9,825	$10,217	(3.8) %
Georgia	1,097	9,696	9,318	4.1 %	4,734	4,308	9.9 %	4,962	5,010	(1.0) %
Florida	972	8,573	8,226	4.2 %	4,172	4,070	2.5 %	4,401	4,156	5.9 %
South Carolina	844	6,732	6,702	0.4 %	3,692	3,600	2.6 %	3,040	3,102	(2.0) %
Mississippi	776	5,767	5,540	4.1 %	2,063	2,057	0.3 %	3,704	3,483	6.3 %
Alabama	412	3,964	3,610	9.8 %	1,703	1,555	9.5 %	2,261	2,055	10.0 %
Missouri	355	5,212	5,054	3.1 %	2,386	2,337	2.1 %	2,826	2,717	4.0 %
Tennessee	300	3,517	3,470	1.4 %	1,405	1,306	7.6 %	2,112	2,164	(2.4) %
Totals	**7,317**	**$64,208**	**$62,521**	**2.7 %**	**$31,077**	**$29,617**	**4.9 %**	**$33,131**	**$32,904**	**0.7 %**

	Weighted Average Occupancy			Weighted Average Monthly Rent per Occupied Unit		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
Texas	91.1 %	92.5 %	(1.5) %	$1,116	$1,095	1.9 %
Georgia	93.9 %	92.9 %	1.1 %	1,114	1,073	3.8 %
Florida	94.5 %	94.0 %	0.5 %	1,061	1,041	1.9 %
South Carolina	91.9 %	91.4 %	0.5 %	1,103	1,108	(0.5) %
Mississippi	96.9 %	96.9 %	0.0 %	994	951	4.5 %
Alabama	97.6 %	96.7 %	0.9 %	876	812	7.9 %
Missouri	95.0 %	94.3 %	0.7 %	1,473	1,458	1.0 %
Tennessee	96.3 %	97.3 %	(1.0) %	1,186	1,157	2.5 %
Weighted Average	**93.4 %**	**93.6 %**	**(0.2)%**	**$1,100**	**$1,074**	**2.4 %**

See definition of Same Store under "Non-GAAP Financial Measures and Definitions"
See the reconciliation of NOI to net income, as calculated in accordance with GAAP, and the definition of NOI and pro-rata share under "Non-GAAP Financial Measures and Definitions."

Portfolio Data Combined

(dollars in thousands, except monthly rent amounts)

Quarter Ended December 31,

Portfolio	2020		
	Revenues	Property Operating Expenses	NOI
Consolidated	$7,029	$3,026	$4,003
Unconsolidated (1)	20,487	9,542	10,945
Combined	**$27,516**	**$12,568**	**$14,948**

Same Store

	2020			2019			Variance		
	Revenues	Property Operating Expenses	NOI	Revenues	Property Operating Expenses	NOI	Revenues	Property Operating Expenses	NOI
Consolidated	$6,655	$2,901	$3,754	$6,393	$2,953	$3,440	4.1 %	(1.8)%	9.1 %
Unconsolidated (1)	18,402	8,565	9,837	17,882	8,112	9,770	2.9 %	5.6 %	0.7 %
Combined	**$25,057**	**$11,466**	**$13,591**	**$24,275**	**$11,065**	**$13,210**	**3.2 %**	**3.6 %**	**2.9 %**

Twelve Months ended December 31,

Portfolio	2020		
	Revenues	Property Operating Expenses	NOI
Consolidated	$27,451	$12,377	$15,074
Unconsolidated (1)	80,458	38,309	42,149
Combined	**$107,909**	**$50,686**	**$57,223**

Same Store

	2020			2019			Variance		
	Revenues	Property Operating Expenses	NOI	Revenues	Property Operating Expenses	NOI	Revenues	Property Operating Expenses	NOI
Consolidated	$23,469	$10,577	$12,892	$22,540	$9,968	$12,572	4.1 %	6.1 %	2.5 %
Unconsolidated (1)	64,208	31,077	33,131	62,521	29,617	32,904	2.7 %	4.9 %	0.7 %
Combined	**$87,677**	**$41,654**	**$46,023**	**$85,061**	**$39,585**	**$45,476**	**3.1 %**	**5.2 %**	**1.2 %**

(1) Unconsolidated amounts represent BRT's pro-rata share. See definition of pro-rata under "Non-GAAP Financial Measures and Definitions.".

Acquisition during the twelve months ended December 31, 2020

Location	Purchase Date	Units	Purchase Price	Acquisition Mortgage Debt	Initial BRT Equity	Ownership Percentage	Capitalized Acquisition Costs
Wilmington, NC (1)	2/20/2020	264	$ 38,000	$ 23,160	$ 13,700	80%	$ 459

(1) Unconsolidated property

There were no dispositions during the twelve months ended December 31, 2020

Value-Add Program

(Includes consolidated and unconsolidated amounts)

Units Rehabilitated (1)	Estimated Rehab Costs (2)	Estimated Rehab Costs Per unit	Estimated Average Monthly Rent Increase (3)	Estimated Annualized ROI (3)	Estimated units available to be renovated over next 24 months
45	$302,000	$6,711	$116	21%	600

(1) Refers to rehabilitated units with respect to which a new lease or renewal lease was entered into during the period.

(2) Reflects rehab costs incurred during the current and prior periods with respect to units completed, in which a new lease or renewal lease was entered into during the current period.

(3) These results are not necessarily indicative of the results that would be generated if such improvements were made across our portfolio of properties or at any particular property. Rents at a property may increase for reasons wholly unrelated to property improvements, such as changes in demand for rental units in a particular market or sub-market. Even if units are available to be renovated, the Company may decide not to renovate such units.

Capital Expenditures

(Includes consolidated and unconsolidated amounts)

	Gross Capital Expenditures	Less: JV Partner Share	BRT Share of Capital Expenditures (4)
Estimated Recurring Capital Expenditures (1)	$ 153,000	$ 30,308	$ 122,692
Estimated Non-Recurring Capital Expenditures (2)	1,828,000	483,459	1,344,541
Total Capital Expenditures	$ 1,981,000	$ 513,767	$ 1,467,233
Replacements (operating expense) (3)	$ 640,912	$ 182,585	$ 458,327
Estimated Recurring Capital Expenditures and Replacements per unit (11,042 units)	$ 72	$ 19	$ 53

(1) Recurring capital expenditures represent our estimate of expenditures incurred at the property to maintain the property's existing operations - it excludes revenue enhancing projects.

(2) Non-recurring capital expenditures represent our estimate of significant improvements to the common areas, property exteriors, or interior units of the property, and revenue enhancing upgrades.

(3) Replacements are expensed as incurred at the property.

(4) Based on BRT's equity interest.

Debt Analysis
As of December 31, 2020
(dollars in thousands)

Consolidated

Year	Total Principal Payments	Scheduled Amortization	Principal Payments Due at Maturity	Percent of Total Principal Payments Due At Maturity	Weighted Average Interest Rate (1)
2021	$ 17,274	$ 3,272	$ 14,002	12 %	4.29 %
2022	62,543	1,924	60,619	54 %	4.29 %
2023	1,270	1,270	—	— %	— %
2024	1,316	1,316	—	— %	— %
2025	16,661	1,286	15,375	14 %	4.42 %
Thereafter	31,933	8,769	23,164	20 %	3.77 %
Total	$ 130,997	$ 17,837	$ 113,160	100 %	

Unconsolidated (BRT pro rata share)

Year	Total Principal Payments	Scheduled Amortization	Principal Payments Due at Maturity	Percent of Total Principal Payments Due At Maturity	Weighted Average Interest Rate (1)
2021	$ 3,388	$ 3,388	$ —	— %	— %
2022	48,443	4,984	43,459	10 %	3.38 %
2023	29,582	4,997	24,585	5 %	4.12 %
2024	5,782	5,782	—	— %	— %
2025	16,972	7,102	9,870	2 %	3.94 %
Thereafter	423,698	44,663	379,034	83 %	4.12 %
Total	$ 527,865	$ 71,350	$ 456,948	100 %	

Combined (2)

Year	Total Principal Payments	Scheduled Amortization	Principal Payments Due at Maturity	Percent of Total Principal Payments Due At Maturity	Weighted Average Interest Rate (1)
2021	$ 20,662	$ 6,660	$ 14,002	2 %	4.29 %
2022	110,986	6,908	104,078	18 %	3.91 %
2023	30,852	6,267	24,585	4 %	4.12 %
2024	7,098	7,098	—	—	0.00 %
2025	33,633	8,388	25,245	4 %	4.23 %
Thereafter	455,631	53,432	402,198	72 %	4.10 %
Total	$ 658,862	$ 88,753	$ 570,108	100 %	

Weighted Average Remaining Term to Maturity (2)	7.2 years
Weighted Average Interest Rate (2)	4.04%
Debt Service Coverage Ratio for the quarter ended December 31, 2020	1.55)

(1) Based on balloon payments at maturity. Includes consolidated and BRT pro rata share amounts.
(2) Includes consolidated and BRT pro rata share unconsolidated amounts.
(3) See definition under "Non-GAAP Financial Measures and Definitions." Includes consolidated and 100% of the unconsolidated amounts.

Junior Subordinated Notes	
Principal Balance	$37,400
Interest Rate	3 month LIBOR + 2.00% (i.e, 2.21% at 12/31/2020)
Maturity	April 30, 2036

Credit Facility (as of March 11, 2021)	
Maximum Amount Available	Up to $10,000
Amount Outstanding	$0
Interest Rate	Prime + 0.50% (floor of 4.25%)
Maturity	April 18, 2021

NON-GAAP FINANCIAL MEASURES, DEFINITIONS, AND RECONCILIATIONS

(dollars in thousands)

We compute NOI by adjusting net income (loss) to (a) add back (1) depreciation expense, (2) general and administrative expenses, (3) interest expense, (4) loss on extinguishment of debt, (5) equity in loss of unconsolidated joint ventures, (6) provision for taxes, (7) the impact of non-controlling interests, and (b) deduct (1) other income, (2) gain on sale of real estate, and (3) gain on insurance recoveries related to casualty loss. We define "Same Store NOI" as NOI for all our consolidated properties that were owned for the entirety of the periods being presented, other than properties in lease up and developments. 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. We view Same Store NOI as an important measure of operating performance because it allows a comparison of operating results of properties owned for the entirety of the current and comparable periods and therefore eliminates variations caused by acquisitions or dispositions during the periods. However, NOI should only be used as an alternative measure of our financial performance.

The following tables provides a reconciliation of NOI to net income attributable to common stockholders as computed in accordance with GAAP for the periods presented for the consolidated properties:

Consolidated	**Three Months Ended December 31,**		**Twelve Months Ended December 31,**	
	2020	**2019**	**2020**	**2019**
GAAP Net (loss) income attributable to common stockholders	$ (3,301)	$ 6,148	$ (19,862)	856
Less: Other Income	(20)	(157)	(651)	(752)
Add: Interest expense	1,700	1,931	7,100	7,796
General and administrative	2,647	2,636	11,701	10,091
Depreciation	1,595	1,568	6,742	5,916
Impairment charge	—	—	3,642	—
Provision for taxes	56	51	248	270
Less: Gain on sale of real estate	—	(680)	—	(10,618)
Add: Loss on extinguishment of debt	—	—	—	1,387
Equity in loss of unconsolidated joint venture properties	1,293	2,150	6,024	8,826
Less: Equity in earnings from sale of unconsolidated joint venture properties	—	(9,932)	—	(9,932)
Add: Net loss attributable to non-controlling interests	33	(40)	130	837
Net Operating Income	$ 4,003	$ 3,675	15,074	14,677
Less: Non-same store and non multi -family Net Operating Income	(249)	(235)	(2,182)	(2,105)
Same store Net Operating Income	$ 3,754	$ 3,440	$ 12,892	$ 12,572

The following tables provides a reconciliation of NOI to net income attributable to common stockholders as computed in accordance with GAAP for the periods presented for BRT's *pro rata* share of the unconsolidated properties:

Unconsolidated	**Three Months Ended December 31,**		**Twelve Months Ended December 31,**	
	2020	**2019**	**2020**	**2019**
BRT equity in loss from joint ventures	$ (1,293)	$ (2,150)	$ (6,024)	$ (8,826)
Add: Interest expense	5,571	5,706	22,317	22,345
Depreciation	6,670	6,405	26,492	24,921
Less: Other equity earnings	(3)	(15)	(117)	(177)
Less: Gain on sale of insurance recoveries	—	(228)	(519)	(642)
Add: Loss on extinguishment of debt	—	963		1,237
Net Operating Income	$ 10,945	$ 10,681	$ 42,149	$ 38,858
Less: Non-same store Net Operating Income	(1,103)	(913)	(9,018)	(5,954)
Same store Net Operating Income	$ 9,842	$ 9,768	$ 33,131	$ 32,904

NON-GAAP FINANCIAL MEASURES, DEFINITIONS, AND RECONCILIATIONS

(dollars in thousands)

The condensed income statements below present, for the periods indicated, a reconciliation of the information that appears on Page 3 - Operating Results of Unconsolidated Properties to the BRT pro rata information presented here in this supplemental.

	Three Months Ended December 31, 2020		
	Total	Partner Share	BRT Share
Revenues:			
Rental and other revenue	$ 32,332	$ 11,845	$ 20,487
Total revenues	32,332	11,845	20,487
Expenses:			
Real estate operating expenses	15,028	5,486	9,542
Interest expense	8,732	3,161	5,571
Depreciation	10,473	3,803	6,670
Total expenses	34,233	12,450	21,783
Total revenues less total expenses	(1,901)	(605)	(1,296)
Gain on sale of real estate properties	—	—	—
Other equity in earnings	3	—	3
Gain on insurance recoveries	—	—	—
Loss on extinguishment of debt	—	—	—
Net loss	$ (1,898)	$ (605)	$ (1,293)

	Three Months Ended December 31, 2019		
	Total	Partner Share	BRT Share
Revenues:			
Rental and other revenue	$ 31,101	$ 11,409	$ 19,692
Total revenues	31,101	11,409	19,692
Expenses:			
Real estate operating expenses	14,072	5,061	9,011
Interest expense	8,995	3,289	5,706
Depreciation	10,097	3,692	6,405
Total expenses	33,164	12,042	21,122
Total revenues less total expenses	(2,063)	(633)	(1,430)
Gain on sale of real estate properties	16,899	6,967	9,932
Gain on insurance recoveries	(1,639)	(2,602)	963
Other equity earnings	15	—	15
Loss on extinguishment of debt	270	42	228
Net income (loss)	$ 13,482	$ 5,700	$ 7,782

NON-GAAP FINANCIAL MEASURES, DEFINITIONS, AND RECONCILIATIONS

(dollars in thousands)

The condensed income statements below present for the periods indicated a reconciliation of the information that appears in note 7 of BRT's Annual report on Form 10-K to the BRT pro rata information presented here in this supplemental.

	Twelve Months Ended December 31, 2020		
	Total	Partner Share	BRT Share
Revenues:			
Rental and other revenue	$ 127,058	$ 46,600	$ 80,458
Total revenues	127,058	46,600	80,458
Expenses:			
Real estate operating expenses	60,326	22,017	38,309
Interest expense	34,918	12,601	22,317
Depreciation	41,657	15,165	26,492
Total expenses	136,901	49,783	87,118
Total revenues less total expenses	(9,843)	(3,183)	(6,660)
Gain on sale of real estate properties	—	—	—
Loss on extinguishment of debt	—	—	—
Other equity earnings	117	—	117
Gain on insurance recoveries	765	246	519
Net loss	$ (8,961)	$ (2,937)	$ (6,024)

	Twelve Months Ended December 31, 2019		
	Total	Partner Share	BRT Share
Revenues:			
Rental and other revenue	$ 118,177	$ 43,037	$ 75,140
Total revenues	118,177	43,037	75,140
Expenses:			
Real estate operating expenses	56,684	20,402	36,282
Interest expense	35,023	12,678	22,345
Depreciation	39,218	14,297	24,921
Total expenses	130,925	47,377	83,548
Total revenues less total expenses	(12,748)	(4,340)	(8,408)
Gain on sale of real estate properties	16,899	6,967	9,932
Loss on extinguishment of debt	(2,018)	(3,255)	1,237
Other equity earnings	177	—	177
Gain on insurance recoveries	787	145	642
Net loss	$ 3,097	$ 1,991	$ 1,106

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 excludes from FFO straight line rent adjustments, loss on extinguishment of debt, amortization of restricted stock and RSU expense, amortization of deferred mortgage costs and gain on insurance recovery. 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 and includes both consolidated and unconsolidated assets.

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 properties refer to stabilized properties that we owned and operated for the entirety of periods being compared, except for properties that are under construction, in lease-up, or are undergoing development or redevelopment. We move properties previously excluded from our same store portfolio (because they were under construction, in lease up or are in development or redevelopment) into the same store designation once they have stabilized (as described below) and such status has been reflected fully in all applicable periods of comparison.

Stabilized Properties
Newly constructed, lease-up, development and redevelopment properties are deemed stabilized upon the earlier to occur of the first full calendar quarter beginning (a) 12 months after the property is fully completed and put in service and (b) attainment of at least 90% physical occupancy.

Pro-Rata Share
BRT's pro-rata share gives effect to its percentage equity interest in the unconsolidated joint ventures that own properties. Due to the operation of allocation/distribution provision of the joint venture agreements pursuant to which BRT participates in the ownership of these properties, BRT's share of the gain and loss on the sale of a property may be less than implied by BRT's percentage equity interest. Notwithstanding the foregoing, when referring to the number of units, average occupancy, and average rent per unit, the amount shown reflects 100% of the amount.

Portfolio Table
As of 3/11/2021

Property	City	State	Year Built	Year Acquired	Property Age	Units	Q4 2020 Avg. Occupancy	Q4 2020 Avg. Rent per Occ. Unit	% Ownership
Consolidated Properties									
Silvana Oaks	North Charleston	SC	2010	2012	12	208	93.6%	$ 1,195	100%
Avondale Station	Decatur	GA	1950	2012	72	212	92.9%	1,190	100%
Newbridge Commons	Columbus	OH	1999	2013	23	264	97.4%	934	100%
Kendall Manor	Houston	TX	1981	2014	41	272	90.2%	797	100%
Avalon	Pensacola	FL	2008	2014	14	276	97.9%	1,174	100%
Parkway Grande	San Marcos	TX	2014	2015	8	192	95.3%	1,026	100%
Woodland Trails	LaGrange	GA	2010	2015	12	236	98.3%	1,033	100%
Kilburn Crossing	Fredericksburg	VA	2005	2016	17	220	98.6%	1,416	100%
Weighted Avg./Total Consolidated					**25**	**1,880**			
Properties owned by Unconsolidated Joint Ventures									
Brixworth at Bridgestreet	Huntsville	AL	1985	2013	37	208	98.1%	850	80%
Crossings of Bellevue	Nashville	TN	1985	2014	37	300	96.8%	1,176	80%
Retreat at Cinco Ranch	Katy	TX	2008	2016	14	268	94.1%	1,206	75%
Grove at River Place	Macon	GA	1988	2016	34	240	94.8%	785	80%
Civic Center 1	Southaven	MS	2002	2016	20	392	98.0%	977	60%
Verandas at Shavano Park	San Antonio	TX	2014	2016	8	288	92.9%	1,046	65%
Chatham Court and Reflections	Dallas	TX	1986	2016	36	494	81.8%	938	50%
Waters Edge at Harbison	Columbia	SC	1996	2016	26	204	96.4%	932	80%
Pointe at Lenox Park	Atlanta	GA	1989	2016	33	271	96.7%	1,240	74%
Civic Center 2	Southaven	MS	2005	2016	17	384	97.5%	1,051	60%
Verandas at Alamo Ranch	San Antonio	TX	2015	2016	7	288	94.3%	1,032	71.9%
OPOP Towers	St. Louis	MO	2014	2017	8	128	93.5%	1,207	75.5%
OPOP Lofts	St. Louis	MO	2014	2017	8	53	82.3%	1,371	75.5%
Vanguard Heights	Creve Coeur	MO	2016	2017	6	174	93.3%	1,617	78.4%
Mercer Crossing	Dallas	TX	2014/2016	2017	8	509	89.3%	1,273	50%
Jackson Square	Tallahassee	FL	1996	2017	26	242	94.6%	1,109	80%
Magnolia Pointe	Madison	AL	1991	2017	31	204	97.6%	959	80%
Woodland Apartments	Boerne	TX	2007	2017	15	120	98.3%	977	80%
The Avenue	Ocoee	FL	1998	2018	24	522	94.7%	1,102	50%
Parc at 980	Lawrenceville	GA	1997	2018	25	586	96.1%	1,218	50%
Anatole Apartments	Daytona Beach	FL	1986	2018	36	208	93.8%	959	80%
Landings of Carrier Parkway	Grand Prairie	TX	2001	2018	21	281	94.1%	1,122	50%
Crestmont at Thornblade	Greenville	SC	1998	2018	24	266	93.2%	1,042	90%
The Vive at Kellswater	Kannapolis	NC	2011	2019	11	312	96.3%	1,104	65%
Somerset at Trussville	Trussville	AL	2007	2019	15	328	98.0%	1,005	80%
The Village at Lakeside	Auburn	AL	1988	2019	34	200	97.5%	872	80%
Canalside Lofts	Columbia	SC	2008/2013	2017	14	374	92.1%	1,245	32%
Gateway Oaks	Forney	TX	2016	2016	6	313	97.2%	1,164	50%
Abbotts Run	Wilmington	NC	2001	2020	21	264	93.9%	978	80%
Weighted Avg./Total Unconsolidated					**21**	**8,421**			
Projects previously in lease-up: (1)									
Bell's Bluff	Nashville	TN	2018		3	402	73.9%	1,506	58.1%
Canalside Sola	Columbia	SC	2018		3	339	85.1%	1,401	46.2%
Weighted Avg./Total (lease-up)					**3**	**741**			
Weighted Avg./Total Portfolio					**20**	**11,042**			

(1) Unconsolidated. Bell's Bluff and Canalside SOLA exited lease up status in September 2020 and January 2020, respectively.

Exhibit 99.3

FEDERAL INCOME TAX CONSIDERATIONS

Explanatory Note: The following discussion replaces and supersedes the discussion contained in our prospectus dated November 26, 2019 under the heading "Federal Income Tax Considerations."

This section summarizes certain U.S. federal income tax issues that you, as a prospective investor, may consider relevant. Because this section is a summary, it does not address all of the tax issues that may be important to you. In addition, this section does not address the tax issues that may be important to certain types of prospective investors that are subject to special treatment under U.S. federal income tax laws, including, without limitation, insurance companies, tax-exempt organizations (except to the extent discussed in "Taxation of Tax-Exempt Stockholders," below), financial institutions or broker-dealers, and non-U.S. individuals and foreign corporations (except to the extent discussed in "Taxation of Non-U.S. Stockholders," below).

The following discussion describes certain of the material U.S. federal income tax considerations relating to our taxation as a REIT under the Code (the "Code"), and the ownership and disposition of shares of our capital stock.
Because this summary is only intended to address certain of the material U.S. federal income tax considerations relating to the ownership and disposition of shares of our capital stock, it may not contain all of the information that may be important to you. As you review this discussion, you should keep in mind that:

- the tax consequences to you may vary depending on your particular tax situation;

- you may be a person that is subject to special tax treatment or special rules under the Code (*e.g.*, regulated investment companies, insurance companies, tax-exempt entities, financial institutions or broker-dealers, expatriates, persons subject to the alternative minimum tax and partnerships, trusts, estates or other pass-through entities) that the discussion below does not address;

- the discussion below does not address any state, local or non-U.S. tax considerations; and

- the discussion below deals only with stockholders that hold shares of our capital stock as a "capital asset," within the meaning of Section 1221 of the Code.

WE URGE YOU TO CONSULT WITH YOUR OWN TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU OF ACQUIRING, OWNING AND SELLING SHARES OF OUR CAPITAL STOCK, INCLUDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF ACQUIRING, OWNING AND SELLING SHARES OF OUR CAPITAL STOCK IN YOUR PARTICULAR CIRCUMSTANCES AND POTENTIAL CHANGES IN APPLICABLE LAWS.

The information contained in this section is based on the Code, final, temporary and proposed Treasury Regulations promulgated thereunder, the legislative history of the Code, current administrative interpretations and practices of the Internal Revenue Service (the "IRS") (including in private letter rulings and other non-binding guidance issued by the IRS), as well as court decisions all as of the date hereof. No assurance can be given that future legislation, Treasury Regulations, administrative interpretations and court decisions will not significantly change current law or adversely affect existing interpretations of current law, or that any such change would not apply retroactively to transactions or events preceding the date of the change. We have not obtained, and do not intend to obtain, any rulings from the IRS concerning the U.S. federal income tax treatment of the matters discussed below. Furthermore, neither the IRS nor any court is bound by any of the statements set forth herein and no assurance can be given that the IRS will not assert any position contrary to statements set forth herein or that a court will not sustain such position.

Taxation of the Company as a REIT

We believe that the following discussion fairly summarizes the material U.S. federal income tax considerations relevant to our status as a REIT under the Code and to investors in shares of our capital stock. The following summary of certain U.S. federal income tax considerations is based on current law, is for general information only, and is not intended to be (and is not) tax advice.

We believe that we have been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code, commencing with our taxable year ended December 31, 2006 through and including our taxable year ended December 31, 2020, and that our current and proposed method of operation will enable us to continue to

meet the requirements for qualification and taxation as a REIT under the Code for our tax years ending December 31, 2021 and thereafter. In general, our qualification and taxation as a REIT depends upon our ability to satisfy, through actual operating results, distribution, diversity of share ownership, and other requirements imposed under the Code. Accordingly, while we intend to continue to qualify to be taxed as a REIT under the Code no assurance can be given that the actual results of our operations for any particular taxable year has satisfied, or will satisfy, the requirements for REIT qualification.

Commencing with our taxable year ended December 31, 1972, we elected to be taxed as a REIT under the Code. We believe that commencing with our taxable year ended December 31, 1972, we have been organized and have operated in such a manner so as to qualify as a REIT under the Code, and we intend to continue to operate in such a manner. However, we cannot assure you that we will, in fact, continue to operate in such a manner or continue to so qualify as a REIT under the Code.

If we qualify for taxation as a REIT under the Code, we generally will not be subject to a corporate-level tax on our net income that we distribute currently to our stockholders. This treatment substantially eliminates the "double taxation" (*i.e.*, a corporate-level tax and stockholder-level tax) that generally results from investment in a regular subchapter C corporation. However, we will be subject to U.S. federal income tax as follows:

- First, we would be taxed at regular corporate rates on any of our undistributed REIT taxable income, including our undistributed net capital gains (although, to the extent so designated by us, stockholders would receive an offsetting credit against their own U.S. federal income tax liability for U.S. federal income taxes paid by us with respect to any such gains).

- Second, if we have (a) net income from the sale or other disposition of "foreclosure property," which is, in general, property acquired on foreclosure or otherwise on default on a loan secured by such real property or a lease of such property, which is held primarily for sale to customers in the ordinary course of business or (b) other nonqualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on such income.

- Third, if we have net income from prohibited transactions such income will be subject to a 100% tax. Prohibited transactions are, in general, certain sales or other dispositions of property held primarily for sale to customers in the ordinary course of business other than foreclosure property.

- Fourth, if we should fail to satisfy the annual 75% gross income test or 95% gross income test (as discussed below), but nonetheless maintain our qualification as a REIT under the Code because certain other requirements have been met, we will have to pay a 100% tax on an amount equal to (a) the gross income attributable to the greater of (i) 75% of our gross income over the amount of gross income that is qualifying income for purposes of the 75% test, and (ii) 95% of our gross income (90% for taxable years beginning on or before October 22, 2004) over the amount of gross income that is qualifying income for purposes of the 95% test, multiplied by (b) a fraction intended to reflect our profitability.

- Fifth, if we should fail to distribute during each calendar year at least the sum of (i) 85% of our REIT ordinary income for such year, (ii) 95% of our REIT capital gain net income for such year, and (iii) any undistributed taxable income required to be distributed from prior years, we would be subject to a 4% excise tax on the excess of such required distribution over the amount actually distributed by us.

- Sixth, if we were to acquire an asset from a corporation that is or has been a subchapter C corporation in a transaction in which the basis of the asset in our hands is determined by reference to the basis of the asset in the hands of the subchapter C corporation, and we subsequently recognize gain on the disposition of the asset within the five year period beginning on the day that we acquired the asset, then we will have to pay tax on the built-in gain at the highest regular corporate rate. The results described in this paragraph assume that no election will be made under Treasury Regulations Section 1.337(d)-7 for the subchapter C corporation to be subject to an immediate tax when the asset is acquired.

- Seventh, for taxable years beginning after December 31, 2000, we could be subject to a 100% tax on certain payments that we receive from one of our taxable REIT subsidiaries ("TRSs"), or on certain expenses deducted by one of our TRSs, if the economic arrangement between us, the TRS and the tenants at our properties are not comparable to similar arrangements among unrelated parties.

- Eighth, if we fail to satisfy a REIT asset test, as described below, during our 2005 and subsequent taxable years, due to reasonable cause and we nonetheless maintain our REIT qualification under the Code because of specified cure provisions, we will generally be required to pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets that caused us to fail such test.

•Ninth, if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the REIT gross income tests or a violation of the asset tests described below) during our 2005 and subsequent taxable years and the violation is due to reasonable cause, we may retain our REIT qualification but will be required to pay a penalty of $50,000 for each such failure.

•Tenth, we may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT's stockholders.

•Finally, the earnings of our lower-tier entities that are subchapter C corporations, including TRSs but excluding our QRSs (as defined below), are subject to federal corporate income tax.

In addition, we may be subject to a variety of taxes, including payroll taxes and state, local and foreign income, property and other taxes on our assets and operations. We could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for REIT Qualification-In General

To qualify as a REIT under the Code, we must elect to be treated as a REIT and must satisfy the annual gross income tests, the quarterly asset tests, distribution requirements, diversity of share ownership and other requirements imposed under the Code. In general, the Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;
(2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;
(3) that would otherwise be taxable as a domestic corporation, but for Sections 856 through 859 of the Code;
(4) that is neither a financial institution nor an insurance company to which certain provisions of the Code apply;
(5) the beneficial ownership of which is held by 100 or more persons;
(6) during the last half of each taxable year, not more than 50% in value of the outstanding capital stock of which is owned, directly or constructively, by five or fewer individuals, as defined in the Code to include certain entities;
(7) that uses a calendar year for federal income tax purposes and complies with the recordkeeping requirements of the federal income tax laws; and
(8) that meets certain other tests, described below, regarding the nature of its income and assets.

The Code provides that the requirements (1) (4), (7) and (8) above must be met during the entire taxable year and that requirements (5) and (6) above do not apply to the first taxable year for which a REIT election is made and, thereafter, requirement (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. For purposes of requirement (6) above, generally (although subject to certain exceptions that should not apply with respect to us), any stock held by a trust described in Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code is treated as not held by the trust itself but directly by the trust beneficiaries in proportion to their actuarial interests in the trust.

We believe that we have satisfied the requirements above for REIT qualification. In addition, our Charter currently includes restrictions regarding the ownership and transfer of shares of our capital stock, which restrictions are intended to assist us in satisfying some of these requirements (and, in particular requirements (5) and (6) above). The ownership and transfer restrictions pertaining to shares of our capital stock are described in the prospectus under the heading "Description of Stock - Restrictions on Ownership and Transfer".

In applying the REIT gross income and asset tests, all of the assets, liabilities and items of income, deduction and credit of a corporate subsidiary of a REIT that is a "qualified REIT subsidiary" (as defined in Section 856(i)(2) of the Code) ("QRS") are treated as the assets, liabilities and items of income, deduction and credit of the REIT itself. Moreover, the separate existence of a QRS is disregarded for U.S. federal income tax purposes and the QRS is not subject to U.S. federal corporate income tax (although it may be subject to state and local tax in some states and localities). In general, a QRS is any corporation if all of the stock of such corporation is owned by the REIT, except that it does not include any corporation that is a TRS of the REIT. Thus, for U.S. federal income tax purposes, our QRSs are disregarded, and all assets, liabilities and items of income, deduction and credit of these QRSs are treated as BRT's assets, liabilities and items of income, deduction and credit.

A TRS is any corporation in which a REIT directly or indirectly owns stock, provided that the REIT and that corporation make a joint election to treat that corporation as a TRS. The election can be revoked at any time as long as the REIT and the TRS revoke such election jointly. In addition, if a TRS holds, directly or indirectly, more than 35% of the securities of any other corporation other than a REIT (by vote or by value), then that other corporation is also treated as a TRS. A TRS is subject to U.S. federal income tax at regular corporate rates (currently a maximum rate of 21%) and may also be subject to state and local tax. Any dividends paid or deemed paid to us by any one of our TRSs will also be taxable, either (1) to us to the extent the dividend is retained by us, or (2) to our stockholders to the extent the dividends received from the TRS are paid to our stockholders. We may hold more than 10% of the stock of a TRS without jeopardizing our qualification as a REIT notwithstanding the rule described below under "REIT Asset Tests" that generally precludes ownership of more than 10% of any issuer's securities. However, as noted below, in order to qualify as a REIT, the securities of all of our TRSs in which we have invested either directly or indirectly may not represent more than 20% of the total value of our assets. We expect that the aggregate value of all of our interests in TRSs will represent less than 20% of the total value of our assets; however, we cannot assure that this will always be true.

A TRS may generally engage in any business including the provision of customary or non-customary services to tenants of its parent REIT, which, if performed by the REIT itself, could cause rents received by the REIT to be disqualified as "rents from real property." However, a TRS may not directly or indirectly operate or manage any hotels or health care facilities or provide rights to any brand name under which any hotel or health care facility is operated, unless such rights are provided to an "eligible independent contractor" to operate or manage a hotel if such rights are held by the TRS as a franchisee, licensee, or in a similar capacity and such hotel is either owned by the TRS or leased to the TRS by its parent REIT. However, for taxable years beginning after July 30, 2008, a TRS may provide rights to a brand name under which a health care facility is operated, if such rights are provided to an "eligible independent contractor" to operate or manage the health care facility and such health care facility is either owned by the TRS or leased to the TRS by its parent REIT. A TRS will not be considered to operate or manage a qualified health care property or a qualified lodging facility solely because the TRS (i) directly or indirectly possesses a license, permit, or similar instrument enabling it to do so, or (ii) employs individuals working at such facility or property located outside the U.S., but only if an "eligible independent contractor" is responsible for the daily supervision and direction of such individuals on behalf of the TRS pursuant to a management agreement or similar service contract. However, the Code contains several provisions which address the arrangements between a REIT and its TRSs which are intended to ensure that a TRS recognizes an appropriate amount of taxable income and is subject to an appropriate level of federal income tax. For example, a TRS is limited in its ability to deduct interest payments made to the REIT. In addition, a REIT would be subject to a 100% penalty on some payments that it receives from a TRS, or on certain expenses deducted by the TRS, if the economic arrangements between the REIT, the REIT's tenants and the TRS are not comparable to similar arrangements among unrelated parties. Further, for taxable years beginning after 2015, a 100% excise tax is imposed on "redetermined TRS service income," which is income of a taxable REIT subsidiary attributable to services provided to, or on behalf of, its associated REIT and which would otherwise be increased on distribution, apportionment, or allocation under the Code (*i.e*., as a result of a determination that the amount of income to be paid for such services was not set at arm's length).

Also, a REIT that is a partner in a partnership is deemed to own its proportionate share of each of the assets of the partnership and is deemed to be entitled to income of the partnership attributable to such proportionate share. For purposes of Section 856 of the Code, the interest of a REIT in the assets of a partnership of which it is a partner is determined in accordance with the REIT's capital interest in the partnership and the character of the assets and items of gross income of the partnership retain the same character in the hands of the REIT. For example, if the partnership holds any property primarily for sale to customers in the ordinary course of its trade or business, the REIT is treated as holding its proportionate share of such property primarily for such purpose. Thus, our proportionate share (based on our capital interest) of the assets, liabilities and items of income of any partnership in which we are a partner, will be treated as our assets, liabilities and items of income for purposes of applying the requirements described in this section. For purposes of the 10% Value Test (described under "REIT Asset Tests" below) our proportionate share is based on our proportionate interest in the equity interests and certain debt securities issued by a partnership. Also, actions taken by the partnerships can affect our ability to satisfy the REIT gross income and asset tests and the determination of whether we have net income from a prohibited transaction. For purposes of this section any reference to "partnership" shall refer to and include any partnership, limited liability company, joint venture and other entity or arrangement that is treated as a partnership for federal income tax purposes, and any reference to "partner" shall refer to and include a partner, member, joint venturer and other beneficial owner of any such partnership, limited liability company, joint venture and other entity or arrangement.

REIT Gross Income Tests: In order to maintain our qualification as a REIT under the Code, we must satisfy, on an annual basis, two gross income tests.

- First, at least 75% of our gross income, excluding gross income from prohibited transactions and certain "hedging transactions" entered into after July 30, 2008, for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property, including "rents from real property," gains on the

disposition of real estate, dividends paid by another REIT and interest on obligations secured by mortgages on real property or on interests in real property, or from some types of temporary investments.

- Second, at least 95% of our gross income, excluding gross income from prohibited transactions and, commencing with our 2005 taxable year, certain “hedging transactions,” for each taxable year must be derived from any combination of income qualifying under the 75% test and dividends, interest, and gain from the sale or disposition of stock or securities.

For this purpose the term “rents from real property” includes: (a) rents from interests in real property; (b) charges for services customarily furnished or rendered in connection with the rental of real property, whether or not such charges are separately stated; and (c)(i) rent attributable to personal property which is leased under, or in connection with, a lease of real property, but only if the rent attributable to such personal property for the taxable year does not exceed 15% of the total rent for the taxable year attributable to both the real and personal property leased under, or in connection with, such lease, and (ii) for taxable years beginning after December 31, 2015, personal property leased in connection with a lease of real property will be treated as a real estate asset for purposes of the 75% asset test only to the extent that rents attributable to such personal property meets the 15% test described above. For purposes of (c) the rent attributable to personal property is equal to that amount which bears the same ratio to total rent for the taxable year as the average of the fair market values of the personal property at the beginning and at the end of the taxable year bears to the average of the aggregate fair market values of both the real property and the personal property at the beginning and at the end of such taxable year. In addition, for taxable years beginning after December 31, 2015, debt secured by a mortgage on both real and personal property will qualify as a real estate asset for purposes of the 75% asset test, and interest on such debt will be qualifying income for purposes of both the 95% and 75% income tests, if the fair market value of the personal property does not exceed 15% of the total fair market value of all property securing the debt.

However, in order for rent received or accrued, directly or indirectly, with respect to any real or personal property, to qualify as “rents from real property,” the following conditions must be satisfied:

- such rent must not be based in whole or in part on the income or profits derived by any person from the property (although the rent may be based on a fixed percentage of receipts or sales);

- such rent may not be received or accrued, directly or indirectly, from any person if the REIT owns, directly or indirectly (including by attribution, upon the application of certain attribution rules): (i) in the case of any person which is a corporation, at least 10% of such person’s voting stock or at least 10% of the value of such person’s stock; or (ii) in the case of any person which is not a corporation, an interest of at least 10% in the assets or net profits of such person, except that under certain circumstances, rents received from a TRS will not be disqualified as “rents from real property” even if we own more than 10% of the TRS; and

- the portion of such rent that is attributable to personal property for a taxable year that is leased under, or in connection with, a lease of real property may not exceed 15% of the total rent received or accrued under the lease for the taxable year.

In addition, all amounts (including rents that would otherwise qualify as “rents from real property”) received or accrued during a taxable year directly or indirectly by a REIT with respect to a property, will constitute “impermissible tenant services income” (and, thus, will not qualify as “rents from real property”) if the amount received or accrued directly or indirectly by the REIT for: (x) non-customary services furnished or rendered by the REIT to tenants of the property; or (y) managing or operating the property ((x) and (y) collectively, “Impermissible Services”) exceeds 1% of all amounts received or accrued during such taxable year directly or indirectly by the REIT with respect to the property. For this purpose, however, the following services and activities are not treated as Impermissible Services: (i) services furnished or rendered, or management or operation provided, through an independent contractor from whom the REIT itself does not derive or receive any income or through a TRS; and (ii) services usually or customarily rendered in connection with the rental of space for occupancy (such as, for example, the furnishing of heat and light, the cleaning of public entrances, and the collection of trash), as opposed to services rendered primarily to a tenant for the tenant’s convenience. If the amount treated as being received or accrued for Impermissible Services does not exceed the 1% threshold, then only the amount attributable to the Impermissible Services (and not, for example, all tenant rents received or accrued that otherwise qualify as “rents from real property”) will fail to qualify as “rents from real property.” For purposes of the 1% threshold, the amount that we will be deemed to have received for performing Impermissible Services will be the greater of the actual amounts so received or 150% of the direct cost to us of providing those services.

Interest income constitutes qualifying mortgage interest for purposes of the 75% gross income test (as described above) to the extent that the obligation is secured by a mortgage on real property. If we receive interest income with respect to a mortgage loan that is secured by both real property and other property, and the highest principal amount of the loan outstanding

during a taxable year exceeds the fair market value of the real property on the date that we have a binding commitment to acquire or originate the mortgage loan, the interest income will be apportioned between the real property and the other collateral, and its income from the arrangement will qualify for purposes of the 75% gross income test only to the extent that the interest is allocable to the real property. Even if a loan is not secured by real property, or is undersecured, the income that it generates may nonetheless qualify for purposes of the 95% gross income test. In addition, for taxable years beginning after December 31, 2015, debt instruments issued by publicly offered REITs are treated as real estate assets for purposes of the 75% asset test. Income from such debt instruments is qualifying income for purposes of the 95% income test, but it is not qualifying income for purposes of the 75% income test. Not more than 25% of the value of our assets can consist of debt instruments of publicly offered REITs unless it would otherwise be treated as a real estate asset.

To the extent that the terms of a loan provide for contingent interest that is based on the cash proceeds realized upon the sale of the property securing the loan (a "shared appreciation provision"), income attributable to the participation feature will be treated as gain from sale of the underlying property, which generally will be qualifying income for purposes of both the 75% and 95% gross income tests provided that the property is not inventory or dealer property in the hands of the borrower or the REIT.

To the extent that a REIT derives interest income from a mortgage loan or income from the rental of real property where all or a portion of the amount of interest or rental income payable is contingent, such income generally will qualify for purposes of the gross income tests only if it is based upon the gross receipts or sales, and not the net income or profits, of the borrower or lessee. This limitation does not apply, however, where the borrower or lessee leases substantially all of its interest in the property to tenants or subtenants, to the extent that the rental income derived by the borrower or lessee, as the case may be, would qualify as rents from real property had it been earned directly by a REIT.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Prior to our 2005 taxable year, any periodic income or gain from the disposition of any financial instrument for transactions to hedge indebtedness we incurred to acquire or carry "real estate assets" was qualifying income for purposes of the 95% gross income test, but not the 75% gross income test. To the extent we hedged in other situations, it is not entirely clear how the income from those transactions should have been treated for the gross income tests. Commencing with our 2005 taxable year, income and gain from "hedging transactions" will be excluded from gross income for purposes of the 95% gross income test, but not the 75% gross income test. For hedging transactions entered into after July 30, 2008, income and gain from "hedging transactions" will be excluded from gross income for purposes of both the 75% and 95% gross income tests. For taxable years beginning after December 31, 2015, certain income from hedging transactions entered into to hedge existing hedging positions after any portion of the hedged indebtedness or property is disposed of will not be included in income for purposes of the 95% and 75% income tests. For this purpose, a "hedging transaction" means either (1) any transaction entered into in the normal course of our trade or business primarily to manage the risk of interest rate, price changes, or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets or (2) for transactions entered into after July 30, 2008, any transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income test (or any property which generates such income or gain). We will be required to clearly identify any such hedging transaction before the close of the day on which it was acquired, originated, or entered into and to satisfy other identification requirements. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT under the Code.

A REIT will incur a 100% tax on the net income derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. We believe that none of our assets are held primarily for sale to customers and that a sale of any of our assets will not be in the ordinary course of our business. Whether a REIT holds an asset "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. A safe harbor to the characterization of the sale of property by a REIT as a prohibited transaction and the 100% prohibited transaction tax is available if the following requirements are met:

- the REIT has held the property for not less than two years;
- the aggregate capital expenditures made by the REIT, or any partner of the REIT, during the two-year period preceding the date of the sale that are includable in the basis of the property do not exceed 30% of the selling price of the property;
- either (1) during the year in question, the REIT did not make more than seven sales of property other than foreclosure property or sales to which Section 1033 of the Code applies, (2) the aggregate adjusted bases of all such properties sold by the REIT during the year did not exceed 10% of the aggregate bases of all of the assets of the REIT at the beginning of the year or (3) for sales made after July 30, 2008, the aggregate fair market value of all such properties

sold by the REIT during the year did not exceed 10% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year;

- in the case of property not acquired through foreclosure or lease termination, the REIT has held the property for at least two years for the production of rental income; and

- if the REIT has made more than seven sales of non-foreclosure property during the taxable year, substantially all of the marketing and development expenditures with respect to the property were made through an independent contractor from whom the REIT derives no income.

Certain alternative tests for satisfying the rules contained in the safe harbor provisions, under which certain sales of real estate assets will not be treated as prohibited transactions, were enacted and signed into law on December 18, 2015. We will attempt to comply with the terms of safe-harbor provision in the federal income tax laws prescribing when an asset sale will not be characterized as a prohibited transaction. We cannot assure you, however, that we can comply with the safe-harbor provision or that we will avoid owning property that may be characterized as property that we hold “primarily for sale to customers in the ordinary course of a trade or business.” The 100% tax will not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be taxed to such corporation at regular corporate income tax rates.

We have not in the past owned and do not intend to acquire in the future investments in foreign countries. However, to the extent that we or our subsidiaries hold or acquire investments in foreign countries, taxes that we pay in foreign jurisdictions may not be passed through to, or used by, our stockholders as a foreign tax credit or otherwise. Any foreign investments may also generate foreign currency gains and losses. Certain foreign currency gains recognized after July 30, 2008 will be excluded from gross income for purposes of one or both of the gross income tests. “Real estate foreign exchange gain” will be excluded from gross income for purposes of the 75% and the 95% gross income tests. Real estate foreign exchange gain generally includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 75% gross income test, foreign currency gains attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or interests in real property and certain foreign currency gains attributable to certain “qualified business units” of a REIT. “Passive foreign exchange gain” will be excluded from gross income only for purposes of the 95% gross income test. Passive foreign exchange gain generally includes real estate foreign exchange gain as described above, and also includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 95% gross income test and foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or interests in real property. Because passive foreign exchange gain includes real estate foreign exchange gain, real estate foreign exchange gain is excluded from gross income for purposes of both the 75% and 95% gross income tests. These exclusions for real estate foreign exchange gain and passive foreign exchange gain do not apply to any foreign currency gain derived from dealing, or engaging in substantial and regular trading, in securities. Such gain is treated as nonqualifying income for purposes of both the 75% and 95% gross income tests.

Notwithstanding the foregoing, for taxable years beginning after June 30, 2008, the Secretary of the Treasury may determine that any item of income or gain not otherwise qualifying for purposes of the 75% and 95% gross income tests may be considered as not constituting gross income for purposes of those tests, and that any item of income or gain that otherwise constitutes non-qualifying income may be considered as qualifying income for purposes of such tests.

If we fail to satisfy either or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for that year pursuant to a special relief provision of the Code which may be available to us if:

- our failure to meet these tests was due to reasonable cause and not due to willful neglect;

- we attach a schedule of the nature and amount of each item of income to our U.S. federal income tax return; and

- for our 2004 and prior taxable years, the inclusion of any incorrect information on the schedule is not due to fraud with intent to evade tax.

We cannot state whether in all circumstances, if we were to fail to satisfy either of the gross income tests, we would still be entitled to the benefit of this relief provision. Even if this relief provision were to apply, we would nonetheless be subject to a 100% tax on the gross income attributable to the greater of (1) the amount by which we fail the 75% gross income test and (2) the amount by which 95% (or 90% for our 2004 and prior taxable years) of our income exceeds the amount of qualifying income under the 95% gross income test, in each case, multiplied by a fraction intended to reflect our profitability.

REIT Asset Tests: At the close of each quarter of our taxable year, we must also satisfy the following tests relating to the nature and diversification of our assets (collectively, the "Asset Tests"):

- at least 75% of the value of our total assets must be represented by "real estate assets" (which also includes any property attributable to the temporary investment of new capital, but only if such property is stock or a debt instrument and only for the 1-year period beginning on the date the REIT receives such proceeds), cash and cash items (including receivables) and government securities ("75% Value Test");

- not more than 25% of the value of our total assets may be represented by securities other than securities that constitute qualifying assets for purposes of the 75% Value Test;

- except with respect to securities of a TRS or QRS and securities that constitute qualifying assets for purposes of the 75% Value Test:

    - not more than 5% of the value of our total assets may be represented by securities of any one issuer the "5% Value Test");

    - we may not hold securities possessing more than 10% of the total voting power of the outstanding securities of any one issuer (the "10% Vote Test"); and

    - we may not hold securities having a value of more than 10% of the total value of the outstanding securities of any one issuer ("10% Value Test");

- not more than 20% of the value of our total assets may be represented by securities of one or more TRSs; and

- for taxable years beginning after December 31, 2015, not more than 25% of the value of our total assets may be represented by debt instruments of publicly offered REITs unless it would otherwise be treated as a real estate asset for purposes of the 75% Value Test.

After initially meeting the Asset Tests at the close of any quarter of our taxable year, we would not lose our status as a REIT under the Code for failure to satisfy these tests at the end of a later quarter solely by reason of changes in asset values. If the failure to satisfy the Asset Tests results from an acquisition of securities or other property during a quarter, we can cure the failure by disposing of a sufficient amount of non-qualifying assets within 30 days after the close of that quarter. We intend to maintain adequate records of the value of our assets to facilitate compliance with the Asset Tests and to take such other actions within 30 days after the close of any quarter as necessary to cure any noncompliance.

In applying the Asset Tests, we are treated as owning all of the assets held by any of our QRSs and our proportionate share of the assets held by the partnerships.

For purposes of the 5% Value Test, the 10% Vote Test or the 10% Value Test, the term "securities" does not include shares in another REIT, equity or debt securities of a QRS or TRS, mortgage loans that constitute real estate assets, or equity interests in a partnership. Securities, for purposes of the Asset Tests, may include debt that we hold in other issuers. However, the Code specifically provides that the following types of debt will not be taken into account as securities for purposes of the 10% Value Test: (1) securities that meet the "straight debt" safe harbor; (2) loans to individuals or estates; (3) obligations to pay rents from real property; (4) rental agreements described in Section 467 of the Code (other than such agreements with related party tenants); (5) securities issued by other REITs; (6) debt issued by partnerships that derive at least 75% of their gross income from sources that constitute qualifying income for purposes of the 75% gross income test; (7) any debt not otherwise described in this paragraph that is issued by a partnership, but only to the extent of our interest as a partner in the partnership; (8) certain securities issued by a state, the District of Columbia, a foreign government, or a political subdivision of any of the foregoing, or the Commonwealth of Puerto Rico; and (9) any other arrangement described in future Treasury Regulations. For purposes of the 10% Value Test, our proportionate share of the assets of a partnership is our proportionate interest in any securities issued by the partnership, without regard to the securities described in (6) and (7) above.

For taxable years beginning after July 30, 2008, for purposes of the 75% Value Test, cash includes any foreign currency used by the REIT or its qualified business unit as its "functional currency" (as defined in section 985(b) of the Code), provided that the foreign currency (a) is held by the REIT or its qualified business unit in the normal course of activities which give rise to qualifying income under the 75% or 95% gross income tests or which are related to acquiring or holding assets described in section 856(c)(4) of the Code and (b) is not held in connection with dealing, or engaging in substantial and regular trading, in securities.

Based on our regular quarterly asset tests, we believe that we have not violated any of the Asset Tests. However, we cannot provide any assurance that the IRS would concur with our beliefs in this regard.

•If we fail to satisfy the Asset Tests at the end of a calendar quarter, we will not lose our REIT qualification if:

-we satisfied the Asset Tests at the end of the preceding calendar quarter; and

-the discrepancy between the value of our assets and the Asset Test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If we did not satisfy the condition described in the second item above, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

If at the end of any calendar quarter commencing with our 2005 taxable year, we violate the 5% Value Test, the 10% Vote Test or the 10% Value Test described above, we will not lose our REIT qualification if (1) the failure is *de minimis* (up to the lesser of 1% of our assets or $10 million) and (2) we dispose of assets or otherwise comply with the Asset Tests within six months after the last day of the quarter in which we identify such failure. In the event of a failure of any of the Asset Tests (other than *de minimis* failures described in the preceding sentence), as long as the failure was due to reasonable cause and not to willful neglect, we will not lose our REIT status if we (1) dispose of assets or otherwise comply with the Asset Tests within six months after the last day of the quarter in which we identify the failure, (2) we file a description of each asset causing the failure with the IRS and (3) pay a tax equal to the greater of $50,000 or 21% of the net income from the nonqualifying assets during the period in which we failed to satisfy the Asset Tests.

REIT Distribution Requirements: To qualify for taxation as a REIT, we must, each year, make distributions (other than capital gain distributions) to our stockholders in an amount at least equal to (1) the sum of: (A) 90% of our "REIT taxable income," computed without regard to the dividends paid deduction and our net capital gain, and (B) 90% of the net income, after tax, from foreclosure property, minus (2) the sum of certain specified items of noncash income. In addition, if we were to dispose of any asset acquired from a subchapter C corporation in a "carryover basis" transaction within five years of the acquisition, we would be required to distribute at least 90% of the after-tax "built-in gain" recognized on the disposition of such asset.

We must pay dividend distributions in the taxable year to which they relate. Dividends paid in the subsequent year, however, will be treated as if paid in the prior year for purposes of the prior year's distribution requirement if one of the following two sets of criteria are satisfied:

•the dividends are declared in October, November or December and are made payable to stockholders of record on a specified date in any of these months, and such dividends are actually paid during January of the following year; or

•the dividends are declared before we timely file our U.S. federal income tax return for such year, the dividends are paid in the 12-month period following the close of the year and not later than the first regular dividend payment after the declaration, and we elect on our U.S. federal income tax return for such year to have a specified amount of the subsequent dividend treated as if paid in such year.

Even if we satisfy our distribution requirements for maintaining our REIT status, we will nonetheless be subject to a corporate-level tax on any of our net capital gain or REIT taxable income that we do not distribute to our stockholders. In addition, we will be subject to a 4% excise tax to the extent that we fail to distribute during any calendar year (or by the end of January of the following calendar year in the case of distributions with declaration and record dates falling in the last 3 months of the calendar year) an amount at least equal to the sum of:

•85% of our ordinary income for such year;

•95% of our capital gain net income for such year; and

•any undistributed taxable income required to be distributed from prior periods.

As discussed below, we may retain, rather than distribute, all or a portion of our net capital gains and pay the tax on the gains and may elect to have our stockholders include their proportionate share of such undistributed gains as long-term capital gain income on their own income tax returns and receive a credit for their share of the tax paid by us. For purposes of the 4% excise tax described above, any such retained gains would be treated as having been distributed by us.

We intend to make timely distributions sufficient to satisfy our annual distribution requirements for REIT qualification under the Code and which are eligible for the dividends-paid deduction.

We expect that our cash flow will exceed our REIT taxable income due to the allowance of depreciation and other non-cash deductions allowed in computing REIT taxable income. Accordingly, in general, we anticipate that we should have sufficient cash or liquid assets to enable us to satisfy the 90% distribution requirement for REIT qualification under the Code. It is possible, however, that we, from time to time, may not have sufficient cash or other liquid assets to meet this requirement or to distribute an amount sufficient to enable us to avoid income and/or excise taxes. In such event, we may find it necessary to arrange for borrowings to raise cash or, if possible, make taxable stock dividends in order to make such distributions. The IRS has issued Revenue Procedure 2017-45, which permits "publicly offered REITs" (i.e., REITs which are required to file annual and periodic reports with the SEC under the Exchange Act) to make elective cash/stock dividends for purposes of satisfying the REIT distribution requirement. Under Revenue Procedure 2017-45, we are permitted to satisfy our annual distribution requirement by paying dividends with up to 80% of the value in stock and at least 20% of the value in cash. Revenue Procedure 2020-19 temporarily reduces the minimum amount of cash that is required to be distributed for distributions declared on or after April 1, 2020, and on or before December 31, 2020 such that we are permitted to pay dividends with up to 90% of the value in stock and at least 10% of the value in cash. If we choose to pay dividends in our stock, our stockholders may be required to pay tax in excess of the cash that they receive.

In the event that we are subject to an adjustment to our REIT taxable income (as defined in Section 860(d)(2) of the Code) resulting from an adverse determination by either a final court decision, a closing agreement between us and the IRS under Section 7121 of the Code, or an agreement as to tax liability between us and an IRS district director, we may be able to rectify any resulting failure to meet the 90% distribution requirement by paying "deficiency dividends" to stockholders that relate to the adjusted year but that are paid in a subsequent year. To qualify as a deficiency dividend, we must make the distribution within ninety days of the adverse determination and we also must satisfy other procedural requirements. If we satisfy the statutory requirements of Section 860 of the Code, a deduction is allowed for any deficiency dividend subsequently paid by us to offset an increase in our REIT taxable income resulting from the adverse determination. We, however, must pay statutory interest on the amount of any deduction taken for deficiency dividends to compensate for the deferral of the tax liability.

Recordkeeping Requirements: We must maintain certain records in order to qualify as a REIT. In addition, to avoid a monetary penalty, we must request on an annual basis information from certain of our stockholders designed to disclose the actual ownership of our outstanding shares of capital stock. We have complied, and we intend to continue to comply, with these requirements.

Failure to Qualify as a REIT: Commencing with our 2005 taxable year, if we would otherwise fail to qualify as a REIT under the Code because of a violation of one of the requirements described above, our qualification as a REIT will not be terminated if the violation is due to reasonable cause and not willful neglect and we pay a penalty tax of $50,000 for the violation. The immediately preceding sentence does not apply to violations of the gross income tests described above or a violation of the asset tests described above each of which have specific relief provisions that are described above.

If we fail to qualify for taxation as a REIT under the Code in any taxable year, and the relief provisions do not apply, we will have to pay tax, on our taxable income at regular corporate rates. We will not be able to deduct distributions to stockholders in any year in which we fail to qualify, nor will we be required to make distributions to stockholders. In this event, to the extent of current and accumulated earnings and profits, all distributions to stockholders will be taxable to the stockholders as dividend income (which may be subject to tax at preferential rates) and corporate distributees may be eligible for the dividends received deduction if they satisfy the relevant provisions of the Code. Unless entitled to relief under specific statutory provisions, we will also be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. We might not be entitled to the statutory relief described in the preceding paragraph in all circumstances.

Taxation of U.S. Stockholders

When we refer to the term U.S. Stockholders, we mean a holder of shares of our capital stock that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for federal income tax purposes) created or organized under the laws of the United States, any of its states or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if a court within the United States can exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership, entity or arrangement treated as a partnership for federal income tax purposes holds shares of our capital stock, the federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding shares of our capital stock, you should consult your tax advisor regarding the consequences of the ownership and disposition of shares of our capital stock by the partnership.

Distributions Generally: For any taxable year for which we qualify for taxation as a REIT under the Code, amounts distributed to taxable U.S. Stockholders will be taxed as discussed below.

As long as we qualify as a REIT, distributions made by us out of our current or accumulated earnings and profits, and not designated as capital gain dividends, will constitute dividends taxable to our taxable U.S. Stockholders as ordinary income. A U.S. Stockholder taxed at individual rates will generally not be entitled to the reduced tax rate applicable to certain types of dividends except with respect to the portion of any distribution (a) that represents income from dividends received from a non-REIT corporation in which we own shares (but only if such dividends would be eligible for the lower rate on dividends if paid by the corporation to its individual stockholders), and (b) that is equal to our REIT taxable income (taking into account the dividends paid deduction available to us) for our previous taxable year less any taxes paid by us during the previous taxable year, provided that certain holding period and other requirements are satisfied at both the REIT and individual stockholder level. U.S. Stockholders taxed at individual rates should consult their own tax advisors to determine the impact of tax rates on dividends received from us. Distributions of this kind will not be eligible for the dividends received deduction in the case of U.S. Stockholders that are corporations.

Distributions made by us that we properly designate as capital gain dividends will be taxable to U.S. Stockholders as gain from the sale of a capital asset held for more than one year, to the extent that they do not exceed our actual net capital gain for the taxable year, without regard to the period for which a U.S. Stockholder has held his shares of our capital stock. The highest marginal individual income tax rate is currently 37%. However, the maximum tax rate on long-term capital gain applicable to U.S. Stockholders taxed at individual rates is 20%. The maximum tax rate on long-term capital gain from the sale or exchange of “Section 1250 property,” or depreciable real property, is 25% computed on the lesser of the total amount of the gain or the accumulated Section 1250 depreciation. Thus, with certain limitations, capital gain dividends received by U.S. Stockholders taxed at individual rates may be eligible for preferential rates of taxation, and the tax rate differential between capital gain and ordinary income may be significant. We will generally designate our capital gain dividends as either 20% or 25% rate distributions. In addition, the characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. U.S. Stockholders taxed at individual rates may generally deduct capital losses not offset by capital gains against their ordinary income only up to a maximum annual amount of $3,000. Such taxpayers may carry forward unused capital losses indefinitely. A corporate U.S. Stockholder must generally pay tax on its net capital gain at ordinary corporate rates. A corporate U.S. Stockholder may generally deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years. Finally, U.S. Stockholders that are corporations may be required to treat up to 20% of certain capital gain dividends as ordinary income.

In determining the extent to which a distribution constitutes a dividend for tax purposes, our earnings and profits generally will be allocated first to distributions with respect to preferred stock prior to allocating any remaining earnings and profits to distributions on our common stock. If we have net capital gains and designate some or all of our distributions as capital gain dividends to that extent, the capital gain dividends will be allocated among different classes of capital stock in proportion to the allocation of earnings and profits as described above.

Special rules in the Code regarding earnings and profits are designed to ensure that stockholders, will not be treated as receiving dividends from a REIT that exceed the earnings and profits of the REIT. To the extent that we make distributions, not designated as capital gain dividends, in excess of our current and accumulated earnings and profits, these distributions will be treated first as a tax-free return of capital to each U.S. Stockholder. Thus, these distributions will reduce the adjusted basis which the U.S. Stockholder has in its shares for tax purposes by the amount of the distribution, but not below zero. Distributions in excess of a U.S. Stockholder’s adjusted basis in its shares will be taxable as capital gains, provided that the shares have been held as a capital asset. If the shares have been held for more than one year it will produce long-term capital gain. For purposes of determining the portion of distributions on separate classes of shares that will be treated as dividends for U.S. federal income tax purposes, current and accumulated earnings and profits will be allocated to distributions resulting from priority rights of preferred shares before being allocated to other distributions. The aggregate amount of dividends that we may designate as qualified dividends or capital gain dividends with respect to any taxable year cannot exceed the dividends actually paid by us during such year.

Dividends declared by us in October, November, or December of any year and payable to a stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the stockholder on December 31 of that

year, provided that we actually pay the dividend on or before January 31 of the following calendar year. Stockholders may not include in their own income tax returns any of our net operating losses or capital losses.

U.S. Stockholders holding shares at the close of our taxable year will be required to include, in computing their long-term capital gains for the taxable year in which the last day of our taxable year falls, the amount that we designate as long-term capital gains in a written notice mailed to our stockholders. We may not designate amounts in excess of our undistributed net capital gain for the taxable year. Each U.S. Stockholder required to include the designated amount in determining the U.S. Stockholder's long-term capital gains will be deemed to have paid, in the taxable year of the inclusion, the tax paid by us in respect of the undistributed net capital gains. U.S. Stockholders to whom these rules apply will be allowed a credit or a refund, as the case may be, for the tax they are deemed to have paid. U.S. Stockholders will increase their basis in their shares by the difference between the amount of the includible gains and the tax deemed paid by the stockholder in respect of these gains.

In March 2010, the Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act") became law. The Reconciliation Act requires certain U.S. Stockholders who are individuals, estates or trusts to pay 3.8% Medicare tax on, among other things, dividend income and capital gains from the sale or other dispositions of stock, subject to certain exceptions. This tax applies for taxable years beginning after December 31, 2012.

Passive Activity Loss and Investment Interest Limitations: Distributions from us and gain from the disposition of our shares will not be treated as passive activity income and, therefore, a U.S. Stockholder will not be able to offset any of this income with any passive losses of the stockholder from other activities. Dividends received by a U.S. Stockholder from us generally will be treated as investment income for purposes of the investment interest limitation. Net capital gain from the disposition of shares of our shares or capital gain dividends generally will be excluded from investment income unless the stockholder elects to have the gain taxed at ordinary income rates.

Sale/Other Taxable Disposition of Shares of our Capital Stock: In general, a U.S. Stockholder who is not a dealer in securities will recognize gain or loss on its sale or other taxable disposition of our shares equal to the difference between the amount of cash and the fair market value of any other property received on such sale or other taxable disposition and the stockholder's adjusted basis in said shares at such time. This gain or loss will be a capital gain or loss if the shares have been held by the U.S. Stockholder as a capital asset. The applicable tax rate will depend on the stockholder's holding period in the asset (generally, if an asset has been held for more than one year it will produce long-term capital gain) and the stockholder's tax bracket. The IRS has the authority to prescribe, but has not yet prescribed, regulations that would apply a capital gain tax rate of 25% (which is generally higher than the 20% long-term capital gain tax rate for stockholders taxed at individual rates) to a portion of capital gain realized by a non-corporate stockholder on the sale of REIT stock that would correspond to the REIT's "unrecaptured Section 1250 gain." U.S. Stockholders should consult with their tax advisors with respect to their capital gain tax liability. A corporate U.S. Stockholder will be subject to tax at a maximum rate of 21% on capital gain from the sale of shares of our capital stock held for more than one year. In general, any loss recognized by a U.S. Stockholder upon the sale or other disposition of shares that have been held for six months or less, after applying the holding period rules, will be treated as a long-term capital loss, to the extent of distributions received by the U.S. Stockholder from us that were required to be treated as long-term capital gains.

A redemption of our capital stock (including preferred stock or common stock) will be treated under Section 302 of the Code as a dividend subject to tax at ordinary income tax rates (to the extent of our current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in Section 302(b) of the Code enabling the redemption to be treated as a sale or exchange of the stock. The redemption will satisfy such test if it (i) is "substantially disproportionate" with respect to the holder, (ii) results in a "complete termination" of the holder's stock interest in us, or (iii) is "not essentially equivalent to a dividend" with respect to the holder, all within the meaning of Section 302(b) of the Code. In determining whether any of these tests have been met, shares considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Code, as well as shares actually owned, must generally be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Code is satisfied with respect to any particular holder of the stock will depend upon the facts and circumstances as of the time the determination is made, prospective investors are advised to consult their own tax advisors to determine such tax treatment. If a redemption of the stock is treated as a distribution that is taxable as a dividend, the amount of the distribution would be measured by the amount of cash and the fair market value of any property received by the stockholders. The stockholder's adjusted tax basis in such redeemed stock would be transferred to the holder's remaining stockholdings in us. If, however, the stockholder has no remaining stockholdings in us, such basis may, under certain circumstances, be transferred to a related person or it may be lost entirely.

Stockholders should consult with their own tax advisors with respect to their capital gain tax liability in respect of distributions received from us and gains recognized upon the sale or other disposition of shares of shares of our capital stock.

Treatment of Tax-Exempt Stockholders: Based upon published rulings by the IRS, distributions by us to a U.S. Stockholder that is a tax-exempt entity generally should not constitute "unrelated business taxable income" ("UBTI"), provided

that the tax-exempt entity has not financed the acquisition of its shares with "acquisition indebtedness," within the meaning of the Code, and the shares are not otherwise used in an unrelated trade or business of the tax-exempt entity. Similarly, income from the sale of shares of our capital stock will not constitute UBTI, provided that the tax-exempt entity has not financed the acquisition of its shares with "acquisition indebtedness" and the shares are not otherwise used in an unrelated trade or business of the tax-exempt entity.

For tax-exempt U.S. Stockholders which are social clubs, voluntary employee benefit associations, and supplemental unemployment benefit trusts, exempt from federal income taxation under Code Sections 501(c)(7), (9) and (17), respectively, income from an investment in shares of our capital stock generally will constitute UBTI unless the organization is able to properly deduct amounts set aside or placed in reserve for certain purposes so as to offset the income generated by its shares of shares of our capital stock. Such prospective investors should consult their own tax advisors concerning these "set-aside" and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a "pension-held REIT" is treated as UBTI as to any trust which (i) is described in Section 401(a) of the Code, (ii) is tax-exempt under Section 501(a) of the Code and (iii) holds more than 10% (by value) of the interests in the REIT. Tax-exempt pension funds that are described in Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code are referred to below as "qualified trusts."

A REIT is a "pension-held REIT" if (i) it would not have qualified as a REIT under the Code but for the fact that Section 856(h)(3) of the Code provides that stock owned by qualified trusts shall be treated, for purposes of the "not closely held" requirement, as owned by the beneficiaries of the trust (rather than by the trust itself), (ii) the percentage of the REIT's dividends that the tax-exempt trust must treat as UBTI is at least 5%, and (iii) either (a) at least one such qualified trust holds more than 25% (by value) of the interests in the REIT or (b) one or more such qualified trusts, each of whom owns more than 10% (by value) of the interests in the REIT, hold in the aggregate more than 50% (by value) of the interests in the REIT. The percentage of any REIT dividend treated as UBTI is equal to the ratio of (i) the gross income of the REIT from unrelated trades or businesses, determined as though the REIT were a qualified trust, less direct expenses related to this gross income, to (ii) the total gross income of the REIT, less direct expenses related to the total gross income. The provisions requiring qualified trusts to treat a portion of REIT distributions as UBTI will not apply if the REIT is able to satisfy the "not closely held" requirement without relying upon the "look-through" exception with respect to qualified trusts. We do not expect to be classified as a "pension-held REIT."

The rules described above under the heading "Taxation of U.S. Stockholders" concerning the inclusion of our designated undistributed net capital gains in the income of its stockholders will apply to tax-exempt entities. Thus, tax-exempt entities will be allowed a credit or refund of the tax deemed paid by these entities in respect of the includible gains.

Certain U.S. Federal Income Tax Consequences of the Stock Dividend to United States Stockholders: Each stockholder must include the sum of the value of the shares of our capital stock and the amount of cash, if any, received pursuant to the dividend in its gross income as dividend income to the extent that such stockholder's share of the dividend is made out of its share of the portion of our current and accumulated earnings and profits allocable to the dividend. For this purpose, the amount of the dividend paid in shares of our capital stock will be equal to the amount of cash that could have been received instead of the shares of our capital stock. A stockholder that receives shares of our capital stock pursuant to the dividend would have a tax basis in such shares equal to the amount of cash that could have been received instead of such shares as described above, and the holding period in such shares would begin on the day following the payment date for the dividend.

The dividend will not be eligible for the dividends received deduction available to U.S. Stockholders that are domestic corporations other than S corporations. Such corporate holders should also consider the possible effects of section 1059 of the Code, which reduces a corporate holder's basis in its shares, but not below zero, by the non-taxed portion of an extraordinary dividend, where the holder has not held such shares for more than two years before the dividend announcement date.

For certain U.S. Stockholders, the dividend may be an "extraordinary dividend." An "extraordinary dividend" is a dividend that is equal to at least 10% of a stockholder's adjusted basis in its shares of our capital stock. A U.S. Stockholder that receives an extraordinary dividend and later sells its underlying shares at a loss will be treated as realizing a long-term capital loss, regardless of its holding period in its shares, to the extent of the extraordinary dividend.

Special Tax Considerations For Non-U.S. Stockholders

Taxation of Non-U.S. Stockholders: The rules governing U.S. federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships and other foreign stockholders (collectively, "Non-U.S. Stockholders") are complex, and no attempt will be made herein to provide more than a limited summary of such rules. Prospective Non-U.S. Stockholders should consult with their tax advisors to determine the impact of U.S. federal, state and local income tax laws with regard to an investment in shares of our capital stock, including any reporting requirements.

Distributions by us to a Non-U.S. Stockholder that are neither attributable to gain from sales or exchanges by us of United States real property interests ("USRPIs") (as defined below) nor designated by us as capital gain dividends will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions will ordinarily be subject to a withholding tax equal to 30% of the gross amount of the distribution unless an applicable tax treaty reduces that tax. Under certain treaties, lower withholding rates generally applicable to dividends do not apply to dividends from a REIT. However, if income from the investment in shares of our capital stock is treated as effectively connected with the Non-U.S. Stockholder's conduct of a U.S. trade or business or is attributable to a permanent establishment that the Non-U.S. Stockholder maintains in the United States (if that is required by an applicable income tax treaty as a condition for subjecting the Non-U.S. Stockholder to U.S. taxation on a net income basis) the Non-U.S. Stockholder generally will be subject to tax at graduated rates, in the same manner as U.S. Stockholders are taxed with respect to such income and is generally not subject to withholding. Any such effectively connected distributions received by a Non-U.S. Stockholder that is a corporation may also be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. We expect to withhold U.S. income tax at the rate of 30% on the gross amount of any dividends paid to a Non-U.S. Stockholder, other than dividends treated as attributable to gain from sales or exchanges of USRPIs and capital gain dividends, paid to a Non-U.S. Stockholder, unless (a) a lower treaty rate applies and the required form evidencing eligibility for that reduced rate is submitted to us or the appropriate withholding agent or (b) the Non-U.S. Stockholder submits an IRS Form W-8 ECI (or a successor form) to us or the appropriate withholding agent claiming that the distributions are effectively connected with the Non-U.S. Stockholder's conduct of a U.S. trade or business and, in either case, other applicable requirements were met.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a Non-U.S. Stockholder to the extent that they do not exceed the adjusted basis of the Non-U.S. Stockholder's shares, but rather will reduce the adjusted basis of such shares. For FIRPTA (as defined below) withholding purposes (discussed below) such distribution will be treated as consideration for the sale or exchange of shares. To the extent that such distributions exceed the adjusted basis of a Non-U.S. Stockholder's shares, these distributions will give rise to tax liability if the Non-U.S. Stockholder would otherwise be subject to tax on any gain from the sale or disposition of its shares, as described below. If it cannot be determined at the time a distribution is made whether or not such distribution will be in excess of current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. However, the Non-U.S. Stockholder may seek a refund of such amounts from the IRS if it is subsequently determined that such distribution was, in fact, in excess of our current and accumulated earnings and profits.

Distributions to a Non-U.S. Stockholder that are designated by us at the time of distribution as capital gain dividends (other than those arising from the disposition of a USRPI) generally will not be subject to U.S. federal income taxation unless (i) investment in the shares is effectively connected with the Non-U.S. Stockholder's U.S. trade or business, in which case the Non-U.S. Stockholder will be subject to the same treatment as a U.S. Stockholder with respect to such gain (except that a corporate Non-U.S. Stockholder may also be subject to the 30% branch profits tax, as discussed above), or (ii) the Non-U.S. Stockholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case such stockholder will be subject to a 30% tax on his or her capital gains.

For any year in which we qualify as a REIT, distributions that are attributable to gain from sales or exchanges by us of USRPIs will be taxed to a Non-U.S. Stockholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). A USRPI includes certain interests in real property and stock in corporations at least 50% of whose assets consist of interests in real property. Under FIRPTA, these distributions are taxed to a Non-U.S. Stockholder as if such gain were effectively connected with a U.S. business. Thus, Non-U.S. Stockholders would be taxed at the normal capital gain rates applicable to U.S. Stockholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). Also, distributions subject to FIRPTA may be subject to a 30% branch profits tax in the hands of a corporate Non-U.S. Stockholder not entitled to treaty relief or exemption. We are required by applicable Treasury Regulations to withhold 21% of any distribution to a Non-U.S. Stockholder that could be designated by us as a capital gain dividend. This amount is creditable against the Non-U.S. Stockholder's U.S. federal income tax liability. We or any nominee (*e.g.*, a broker holding shares in street name) may rely on a certificate of Non-U.S. Stockholder status on IRS Form W-8 to determine whether withholding is required on gains realized from the disposition of USRPIs. A U.S. Stockholder who holds shares on behalf of a Non-U.S. Stockholder will bear the burden of withholding, provided that we have properly designated the appropriate portion of a distribution as a capital gain dividend.

Capital gain distributions to Non-U.S. Stockholders that are attributable to our sale of real property will be treated as ordinary dividends rather than as gain from the sale of a USRPI, as long as (1) shares of our capital stock continue to be treated as being "regularly traded" on an established securities market in the United States and (2) the Non-U.S. Stockholder did not own more than 10% of shares of our capital stock at any time during the one-year period preceding the distribution. As a result, Non-U.S. Stockholders owning 10% or less of shares of our capital stock generally will be subject to withholding tax on such

capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends. If shares of our capital stock cease to be regularly traded on an established securities market in the United States or the Non-U.S. Stockholder owned more than 10% of shares of our capital stock at any time during the one-year period preceding the distribution, capital gain distributions that are attributable to our sale of real property would be subject to tax under FIRPTA, as described in the preceding paragraph. If a Non-U.S. Stockholder disposes of shares of our capital stock during the 30-day period preceding the ex-dividend date of any dividend payment, and such Non-U.S. Stockholder (or a person related to such Non-U.S. Stockholder) acquires or enters into a contract or option to acquire shares of our capital stock within 61 days of the first day of such 30-day period described above, and any portion of such dividend payment would, but for the disposition, be treated as a USRPI capital gain to such Non-U.S. Stockholder under FIRPTA, then such Non-U.S. Stockholder shall be treated as having USRPI capital gain in an amount that, but for the disposition, would have been treated as USRPI capital gain.

Stock of a REIT held (directly or through partnerships) by a "qualified shareholder" will not be a USRPI, and capital gain dividends from such a REIT will not be treated as gain from the sale of a USRPI, unless a person (other than a qualified shareholder) that holds an interest (other than an interest solely as a creditor) in such qualified shareholders owns, taking into account applicable constructive ownership rules, more than 10% of the stock of the REIT. If the qualified shareholder has such an "applicable investor," the portion of REIT stock held by the qualified shareholder indirectly owned through the qualified shareholder by the applicable investor will be treated as gains from the sale of USRPI. For these purposes, a "qualified shareholder" is a foreign person which is in a treaty jurisdiction and satisfies certain publicly traded requirements, is a "qualified collective investment vehicle", and maintains records on the identity of certain 5% owners. A "qualified collective investment vehicle" is a foreign person that is eligible for a reduced withholding rate with respect to ordinary REIT dividends even if such person holds more than 10% of the REIT's stock, a publicly traded partnership that is a withholding foreign partnership that would be a United States real property holding corporation if it were a United States corporation, or is designated as a qualified collective investment vehicle by the Secretary of the Treasury and is either fiscally transparent within the meaning of the Code or required to include dividends in its gross income but entitled to a deduction for distribution to its investors. Finally, capital gain dividends and non-dividend redemption and liquidating distributions to a qualified shareholder that are not allocable to an applicable investor will be treated as ordinary dividends. These changes apply to dispositions and distributions on or after December 18, 2015.

Gain recognized by a Non-U.S. Stockholder upon a sale of stock of a REIT generally will not be taxed under FIRPTA if the REIT is a "domestically controlled REIT" (generally, a REIT in which at all times during a specified testing period less than 50% in value of its stock is held directly or indirectly by foreign persons). Effective December 18, 2015, in determining whether a REIT is domestically controlled, the REIT may presume that holders of less than 5% of a class of stock regularly traded on an established securities market in the United States are U.S. persons throughout the testing period, except to the extent that the REIT has actual knowledge to the contrary. In addition, any stock in the REIT held by another REIT that is publicly traded will be treated as held by a non-U.S. person unless the other REIT is domestically controlled, in which case the stock will be treated as held by a U.S. person. Finally, any stock in a REIT held by another REIT that is not publicly traded will be treated as held by a U.S. person to the extent that U.S. persons hold the other REIT's stock. Since it is currently anticipated that we will be a "domestically-controlled REIT," a Non-U.S. Stockholder's sale of shares of our capital stock should not be subject to taxation under FIRPTA. However, because shares of our capital stock are publicly-traded, no assurance can be given that we will continue to be a "domestically-controlled REIT." Notwithstanding the foregoing, gain from the sale of shares of our capital stock that is not subject to FIRPTA will be taxable to a Non-U.S. Stockholder if (i) the Non-U.S. Stockholder's investment in the shares is "effectively connected" with the Non-U.S. Stockholder's U.S. trade or business, in which case the Non-U.S. Stockholder will be subject to the same treatment as a U.S. Stockholder with respect to such gain (a Non-U.S. Stockholder that is a foreign corporation may also be subject to a 30% branch profits tax, as discussed above), or (ii) the Non-U.S. Stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains. If the gain on the sale of shares were to be subject to taxation under FIRPTA, the Non-U.S. Stockholder would be subject to the same treatment as a U.S. Stockholder with respect to such gain (subject to applicable alternative minimum tax, possible withholding tax and a special alternative minimum tax in the case of nonresident alien individuals).

If we are not, or cease to be, a "domestically controlled REIT," whether gain arising from the sale or exchange of shares by a Non-U.S. Stockholder would be subject to United States taxation under FIRPTA as a sale of a USRPI will depend on whether any class of our shares is "regularly traded" (as defined by applicable Treasury Regulations) on an established securities market (*e.g.*, the New York Stock Exchange), as is the case with shares of our capital stock, and on the size of the selling Non-U.S. Stockholder's interest in us. In the case where we are not, or cease to be, a "domestically-controlled REIT" and any class of our shares is "regularly traded" on an established securities market at any time during the calendar year, a sale of shares of that class by a Non-U.S. Stockholder will only be treated as a sale of a USRPI (and thus subject to taxation under FIRPTA) if such selling stockholder beneficially owns (including by attribution) more than 10% of the total fair market value of all of the shares of such class at any time during the five-year period ending either on the date of such sale or other applicable determination date. To the extent we have one or more classes of shares outstanding that are "regularly traded," but the Non-

U.S. Stockholder sells shares of a class of our shares that is not "regularly traded," the sale of shares of such class would be treated as a sale of a USRPI under the foregoing rule only if the shares of such latter class acquired by the Non-U.S. Stockholder have a total net market value on the date they are acquired that is greater than 5% of the total fair market value of the "regularly traded" class of our shares having the lowest fair market value (or with respect to a nontraded class of our shares convertible into a "regularly traded" market value on the date of acquisition of the total fair market value of the "regularly traded" class into which it is convertible). If gain on the sale or exchange of shares were subject to taxation under FIRPTA, the Non-U.S. Stockholder would be subject to regular United States income tax with respect to such gain in the same manner as a U.S. Stockholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals); provided, however, that deductions otherwise allowable will be allowed as deductions only if the tax returns were filed within the time prescribed by law. In general, the purchaser of the shares would be required to withhold and remit to the IRS 15% of the amount realized by the seller on the sale of such shares.

"Qualified foreign pension funds" and entities that are wholly owned by a qualified foreign pension fund are exempted from FIRPTA and FIRPTA withholding. For these purposes, a "qualified foreign pension fund" is any trust, corporation, or other organization or arrangement if (i) it was created or organized under foreign law, (ii) it was established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, (iii) it does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (iv) it is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates, and (v) under the laws of the country in which it is established or operates, either contributions to such fund which would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such fund or taxed at a reduced rate, or taxation of any investment income of such fund is deferred or such income is taxed at a reduced rate. This provision is effective for dispositions and distributions occurring after December 18, 2015.

Information Reporting Requirements and Backup Withholding Tax

U.S. Stockholders: We will report to our U.S. Stockholders and the IRS the amount of dividends paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, backup withholding may apply to a U.S. Stockholder with respect to dividends paid unless the U.S. Stockholder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. The IRS may also impose penalties on a U.S. Stockholder that does not provide us with its correct taxpayer identification number. A U.S. Stockholder may credit any amount paid as backup withholding against the stockholder's income tax liability. In addition, we may be required to withhold a portion of capital gain distributions to any U.S. Stockholder who fails to certify to us its non-foreign status.

On March 18, 2010, the Hiring Incentives to Restore Employment Act of 2010 (the "HIRE Act") became law. The HIRE Act imposes a U.S. withholding tax at a 30% rate on dividends after June 30, 2014 and proceeds of a sale or other disposition in respect of our shares after December 31, 2018 (subject to the caveat below) that are realized by U.S. Stockholders who own their shares through foreign accounts or foreign intermediaries and certain non-U.S. Stockholders if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. If payment of withholding taxes is required, non-U.S. Stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends and proceeds will be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. We will not pay any additional amounts in respect of any amounts withheld. Notwithstanding the foregoing, the IRS has issued proposed regulations indicating its intent to eliminate the requirements under the HIRE Act of withholding on gross proceeds from the sale, exchange, maturity or other disposition of relevant financial instruments. The IRS has indicated that taxpayers may rely on these proposed regulations pending their finalization.

Non-U.S. Stockholders: If you are a Non-U.S. Stockholder, you are generally exempt from backup withholding and information reporting requirements with respect to:

- dividend payments; and
- the payment of the proceeds from the sale of shares of our capital stock effected at a United States office of a broker, as long as the income associated with these payments is otherwise exempt from U.S. federal income tax, and provided that the following additional requirements are met:
  - the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the payor or broker either (i) a valid IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or an acceptable substitute form upon which you certify, under penalties of perjury, that you

are a non-United States person or (ii) other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with Treasury Regulations; or

-you otherwise establish your right to an exemption.

Payment of the proceeds from the sale of shares of our capital stock effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of shares of our capital stock that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

•the proceeds are transferred to an account maintained by you in the United States;

•the payment of proceeds or the confirmation of the sale is mailed to you at a United States address; or

•the sale has some other specified connection with the United States as provided in the Treasury Regulations, unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of shares of our capital stock will be subject to information reporting if it is effected at a foreign office of a broker that is:

•a United States person;

•a controlled foreign corporation for United States tax purposes;

•a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or

•a foreign partnership, if at any time during its taxable year:

•one or more of its partners are "U.S. persons," as defined in Treasury Regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or

•such foreign partnership is engaged in the conduct of a United States trade or business;

•unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish your right to an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the IRS.

Allocation of Liability in the Event a Partnership is Audited, and an Adjustment is Assessed

On November 2, 2015, the Bipartisan Budget Act of 2015 became law. Among other things, the Bipartisan Budget Act of 2015 changed the rules applicable to federal income tax audits of partnerships (such as any partnership of which we are a partner) and the collection of any tax resulting from such audits or other tax proceedings. Under these rules, the partnership itself must pay any "imputed underpayments," consisting of delinquent taxes, interest, and penalties deemed to arise out of an audit of the partnership, unless certain alternative methods are available and the partnership elects to utilize them.

It is possible that in the future, we or any partnership of which we are a partner, or both, could be subject to, or otherwise bear the economic burden of, federal income tax, interest, and penalties resulting from a federal income tax audit as a result of the changes enacted by the Bipartisan Budget Act of 2015.

Impact of the Tax Cuts and Jobs Act on the Company and its Stockholders

Enactment of Tax Act: On December 22, 2017, President Trump signed into law H.R. 1, informally titled the Tax Cuts and Jobs Act (the "Tax Act" or the "Act"). The Tax Act makes major changes to the Code, including a number of provisions of the Code that may affect the taxation of REITs and their security holders. The most significant of these provisions are described below. The individual and collective impact of these changes on REITs and their security holders may not become evident for

some period of time. Prospective investors should consult their tax advisors regarding the implications of the Tax Act on their investment.

Revised Individual Tax Rates and Deductions: The Tax Act creates seven income tax brackets for individuals ranging from 10% to 37% that generally apply at higher thresholds than under the law in effect immediately prior to the enactment of the Tax Act. For example, the highest 37% rate applies to joint return filer incomes above $600,000, instead of the highest 39.6% rate that applies to incomes above $470,700 under pre-Tax Act law. The maximum 20% rate that applies to long-term capital gains and qualified dividend income is unchanged, as is the 3.8% Medicare tax on net investment income.

The Act also eliminates personal exemptions, but nearly doubles the standard deduction for most individuals (for example, the standard deduction for joint return filers rises from $12,700 in 2017 to $24,000 upon the Act's effectiveness). The Act also eliminates many itemized deductions, limits individual deductions for state and local income, property and sales taxes (other than those paid in a trade or business) to $10,000 collectively for joint return filers (with a special provision to prevent 2017 deductions for prepayment of 2018 taxes), and limits the amount of new acquisition indebtedness on principal or second residences for which mortgage interest deductions are available to $750,000. Interest deductions for new home equity debt are eliminated. Charitable deductions are generally preserved. The phaseout of itemized deductions based on income is eliminated.

The Tax Act does not eliminate the individual alternative minimum tax, but it raises the exemption and exemption phaseout threshold for application of the tax.

These individual income tax changes are generally effective beginning in 2018, but without further legislation, they sunset after 2025.

Pass-Through Business Income Tax Rate Lowered through Deduction: Under the Tax Act, individuals and some trusts and estates generally may deduct up to 20% of "qualified business income" (generally, domestic trade or business income other than certain investment items) of a partnership, S corporation, or sole proprietorship. In addition, individuals and some trusts and estates may deduct up to 20% of "qualified REIT dividends" (i.e., REIT dividends other than capital gain dividends and portions of REIT dividends designated as qualified dividend income eligible for capital gain tax rates) and certain other income items. The overall deduction is limited to 20% of the sum of the taxpayer's taxable income (less net capital gain) and certain cooperative dividends, subject to further limitations based on taxable income. In addition, for taxpayers with income above a certain threshold (e.g., $315,000 for joint return filers), the deduction for each trade or business is generally limited to no more than the greater of (i) 50% of the taxpayer's proportionate share of total wages from a partnership, S corporation or sole proprietorship, or (ii) 25% of the taxpayer's proportionate share of such total wages plus 2.5% of the unadjusted basis of acquired tangible depreciable property that is used to produce qualified business income and satisfies certain other requirements. The deduction for qualified REIT dividends is not subject to these wage and property basis limits. The deduction, if allowed in full, equates to a maximum 29.6% tax rate on domestic qualified business income of partnerships, S corporations, or sole proprietorships, and a maximum 29.6% tax rate of REIT dividends. As with the other individual income tax changes, the deduction provisions are effective beginning in 2018. Without further legislation, the deduction sunsets after 2025.

Net Operating Loss Modifications: Net operating loss ("NOL") provisions are modified by the Tax Act. The Act limits the NOL deduction to 80% of taxable income (before the deduction). It also generally eliminates NOL carrybacks for individuals and non-REIT corporations (NOL carrybacks did not apply to REITs under prior law) but allows indefinite NOL carryforwards.

Certain changes to Dividends-Received Deduction; Elimination of Corporate Alternative Minimum Tax: The Tax Act reduces the dividends-received deduction for certain corporate subsidiaries. The Act also permanently eliminates the corporate alternative minimum tax.

Limitations on Interest Deductibility; Real Property Trades or Businesses Can Elect Out Subject to Longer Asset Cost Recovery Periods: The Tax Act limits a taxpayer's net interest expense deduction to 30% of the sum of adjusted taxable income, business interest, and certain other amounts. Adjusted taxable income does not include items of income or expense not allocable to a trade or business, business interest or expense, the new deduction for qualified business income, NOLs, and for years prior to 2022, deductions for depreciation, amortization, or depletion. For partnerships, the interest deduction limit is applied at the partnership level, subject to certain adjustments to the partners for unused deduction limitation at the partnership level. The Act allows a real property trade or business to elect out of this interest limit so long as it uses a 40-year recovery period for nonresidential real property, a 30-year recovery period for residential rental property (40-year recovery period for residential rental property placed in service before 2018), and a 20-year recovery period for related improvements described below. The Consolidated Appropriations Act, 2021, which was signed into law by President Trump on December 27, 2020,

decreased the 40-year recovery period for residential rental property placed in service before 2018 to a 30-year recovery period. Disallowed interest expense is carried forward indefinitely (subject to special rules for partnerships).

Maintains Cost Recovery Period for Buildings; Reduced Cost Recovery Periods for Tenant Improvements; Increased Expensing for Equipment: For taxpayers that do not use the Tax Act's real property trade or business exception to the business interest deduction limits, the Act maintains the current 39-year and 27.5-year straight line recovery periods for nonresidential real property and residential rental property, respectively, and provides that tenant improvements for such taxpayers are subject to a general 15-year recovery period. Under the Tax Act, "qualified leasehold improvement property," formerly depreciated under straight line method using a 15-year recovery period, is depreciated over 39 years as qualified improvement property. The CARES Act (defined below) restores the 15-year recovery period for qualified improvement property placed in service after December 31, 2017. Also, the CARES Act temporarily allows 100% expensing of certain new or used tangible property through 2022, phasing out at 20% for each following year (with an election available for 50% expensing of such property if it is placed in service during the first taxable year ending after Sept. 27, 2017). The changes apply, generally, to property acquired after September 27, 2017 and placed in service after Sept. 27, 2017.

Like Kind Exchanges Retained for Real Property but Eliminated for Most Personal Property: The Tax Act continues the deferral of gain from the like kind exchange of real property, but provides that foreign real property is no longer "like kind" to domestic real property. Furthermore, the Act eliminates like kind exchanges for most personal property.

International Provisions: Modified Territorial Tax Regime: The Act moves the United States from a worldwide to a modified territorial tax system, with provisions included to prevent corporate base erosion. We currently do not have any foreign subsidiaries or properties, but these provisions could affect any such future subsidiaries or properties.

Other Provisions: The Tax Act makes other significant changes to the Code. These changes include provisions limiting the ability to offset dividend and interest income with partnership or S corporation net active business losses. These provisions, without further legislation, sunset after 2025.

Impact of the Coronavirus Aid, Relief, and Economic Security Act on the Company and its Stockholders

Enactment of the CARES Act: On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). Among other changes, the CARES Act modifies certain provisions of the Tax Act, including a number of provisions that may affect the taxation of REITs and their security holders. The most significant of these changes are described below. Prospective investors should consult their tax advisors regarding the effects of the CARES Act on their investment.

Net Operating Loss Modifications: Under the CARES Act, NOLs arising in taxable years beginning after December 31, 2017 and before January 1, 2021 may generally be carried back up to five taxable years preceding the taxable year of such loss. This change to NOL carrybacks under the CARES Act does not directly apply to REITs, and NOLs of a REIT may not be carried back to any previous taxable year. However, TRSs are eligible to carryback such NOLs. The treatment of NOLs arising in taxable years beginning after December 31, 2020 is not affected by the CARES Act, and such losses may not be carried back to any prior taxable year. In addition, for taxable years beginning after December 31, 2017, the Tax Act had limited the NOL deduction to 80% of taxable income (before the deduction). The CARES Act eliminates this 80% limitation for taxable years beginning before January 1, 2021.

Limitations on Interest Deductibility: The Tax Act limited the deductibility of net interest expense paid or accrued on debt properly allocable to a trade or business to 30% of the sum of adjusted taxable income, business interest, and "floor plan financing interest." The CARES Act increases the maximum amount of interest expense that may be deducted to 50% of the sum of adjusted taxable income, business interest, and "floor plan financing interest" for taxable years beginning in 2019 or 2020.

State and Local Tax

We and our stockholders may be subject to state and local tax in various states and localities, including those in which we or they transact business, own property or reside. Our tax treatment and that of our stockholders in such jurisdictions may differ from the U.S. federal income tax treatment described above. Consequently, prospective stockholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in shares of our capital stock.