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BRT Apartments Corp.
Form 10-Q
May 10, 2017
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2017

OR

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

Commission File Number 001-07172

BRT APARTMENTS CORP.
(Exact name of Registrant as specified in its charter)
Maryland 13-2755856
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
60 Cutter Mill Road, Great Neck, NY 11021
(Address of principal executive offices) (Zip Code)
516-466-3100
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

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

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

14,040,560 Shares of Common Stock,
par value \$0.01 per share, outstanding on May 5, 2017

BRT APARTMENTS CORP. AND SUBSIDIARIES

Table of Contents

	Page No.
<u>Part I - Financial Information</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets - March 31, 2017 (unaudited) and September 30, 2016</u>	<u>2</u>
<u>Consolidated Statements of Operations – Three and six months ended March 31, 2017 and 2016 (unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive (Loss) Income – Three and six months ended March 31, 2017 and 2016 (unaudited)</u>	<u>4</u>
<u>Consolidated Statement of Equity – Six months ended March 31, 2017 (unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows – Six months ended March 31, 2017 and 2016 (unaudited)</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risks</u>	<u>31</u>
Item 4. <u>Controls and Procedures</u>	<u>31</u>
<u>Part II – Other Information</u>	
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>32</u>
Item 6. <u>Exhibits</u>	<u>33</u>

Table of Contents

Part I FINANCIAL INFORMATION

Item 1. Financial Statements

BRT APARTMENTS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	March 31, 2017 (Unaudited)	September 30, 2016
ASSETS		
Real estate properties, net of accumulated depreciation and amortization of \$53,143 and \$41,995	\$ 781,114	\$ 759,576
Real estate loan	5,900	19,500
Cash and cash equivalents	43,147	27,399
Restricted cash	6,619	7,383
Deposits and escrows	13,101	18,972
Investments in unconsolidated joint ventures	14,557	298
Other assets	6,082	7,775
Real estate properties held for sale	—	33,996
Total Assets	\$ 870,520	\$ 874,899
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, net of deferred costs of \$5,296 and \$5,873	\$ 603,133	\$ 588,457
Junior subordinated notes, net of deferred costs of \$392 and \$402	37,008	36,998
Accounts payable and accrued liabilities	13,467	20,716
Mortgage payable held for sale	—	27,052
Total Liabilities	653,608	673,223
Commitments and contingencies		
Equity:		
BRT Apartments Corp. stockholders' equity:		
Preferred shares, \$.01 par and \$1 par value:		
Authorized 20,000 and 10,000 shares, none issued	—	—
Common stock, \$.01 par value, 300,000 shares authorized; 13,352 shares issued at March 31, 2017	134	—
Shares of Beneficial Interest, \$3 par value, number of shares authorized, unlimited; 13,232 issued at September 30, 2016	—	39,696
Additional paid-in capital	201,546	161,321
Accumulated other comprehensive income (loss)	1,518	(1,602)
Accumulated deficit	(36,584)	(48,125)
Total BRT Apartments Corp. stockholders' equity	166,614	151,290
Non-controlling interests	50,298	50,386
Total Equity	216,912	201,676
Total Liabilities and Equity	\$ 870,520	\$ 874,899

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Revenues:				
Rental and other revenues from real estate properties	\$24,702	\$23,993	\$49,731	\$46,312
Other income	181	2,026	792	2,033
Total revenues	24,883	26,019	50,523	48,345
Expenses:				
Real estate operating expenses - including \$641 and \$372 to related parties for the three months ended and \$1,252 and \$804 for the six months ended	11,909	12,097	24,355	23,191
Interest expense - including \$0 and \$62 to related party for the three months ended and \$0 and \$86 for the six months ended	6,402	6,049	13,089	11,580
Advisor's fees, related party	—	—	—	693
Property acquisition costs - including \$0 and \$439 to related parties for the three and six months ended	—	953	—	1,010
General and administrative - including \$103 and \$60 to related parties for the three months ended and \$182 and \$87 for the six months ended	2,390	2,280	4,987	4,029
Depreciation	7,772	5,632	14,069	10,616
Total expenses	28,473	27,011	56,500	51,119
Total revenue less total expenses	(3,590)	(992)	(5,977)	(2,774)
Gain on sale of real estate	—	24,226	35,838	24,835
Loss on extinguishment of debt	—	(2,668)	(799)	(2,668)
(Loss) income from continuing operations	(3,590)	20,566	29,062	19,393
Provision for taxes	1,108	—	1,458	—
(Loss) income from continuing operations, net of taxes	(4,698)	20,566	27,604	19,393
Discontinued operations:				
Loss from discontinued operations	—	(1,188)	—	(2,788)
Gain on sale of partnership interest	—	15,467	—	15,467
Income from discontinued operations	—	14,279	—	12,679
Net (loss) income	(4,698)	34,845	27,604	32,072
Net loss (income) attributable to non-controlling interests	469	(9,909)	(16,063)	(9,170)
Net (loss) income attributable to common stockholders	\$(4,229)	\$24,936	\$11,541	\$22,902
Basic and diluted per share amounts attributable to common stockholders:				
(Loss) income from continuing operations	\$(0.30)	\$0.75	\$0.83	\$0.72
Income from discontinued operations	—	1.01	—	0.90
Basic and diluted (loss) earnings per share	\$(0.30)	\$1.76	\$0.83	\$1.62
Amounts attributable to BRT Apartments Corp.:				
(Loss) income from continuing operations	\$(4,229)	\$9,957	\$11,541	\$8,564
Income from discontinued operations	—	14,979	—	14,338
Net (loss) income	\$(4,229)	\$24,936	\$11,541	\$22,902
Weighted average number of common shares outstanding:				
Basic and diluted	14,018,099	14,132,235	13,957,706	14,116,560
See accompanying notes to consolidated financial statements.				

Table of Contents

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

	Three Months		Six Months Ended	
	Ended		March 31,	
	March 31,			
	2017	2016	2017	2016
Net (loss) income	\$(4,698)	\$34,845	\$27,604	\$32,072
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative instruments	135	(34)	3,403	(14)
Other comprehensive income (loss)	135	(34)	3,403	(14)
Comprehensive (loss) income	(4,563)	34,811	31,007	32,058
Comprehensive (loss) income attributable to non-controlling interests	(144)	9,904	17,387	9,168
Comprehensive (loss) income attributable to common stockholders	\$(4,419)	\$24,907	\$13,620	\$22,890

See accompanying notes to consolidated financial statements.

Table of Contents

BRT APARTMENTS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

Six Months Ended March 31, 2017

(Unaudited)

(Dollars in thousands, except share data)

	Shares of Beneficial Interest	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Non- Controlling Interest	Total
Balances, September 30, 2016	\$ 39,696	\$ —	\$ 161,321	\$ (1,602)	\$ (48,125)	\$ 50,386	\$ 201,676
Restricted stock vesting	375	—	(375)	—	—	—	—
Compensation expense - restricted stock and restricted stock units	—	—	710	—	—	—	710
Contributions from non-controlling interests	—	—	—	—	—	6,398	6,398
Distributions to non-controlling interests	—	—	—	—	—	(22,832)	(22,832)
Shares repurchased - 5,775 shares	(17)	—	(30)	—	—	—	(47)
Conversion to a Maryland corporation at \$.01 par value	(40,054)	134	39,920	—	—	—	—
Net income	—	—	—	—	11,541	16,063	27,604
Other comprehensive income	—	—	—	3,120	—	283	3,403
Comprehensive income	—	—	—	—	—	—	31,007
Balances, March 31, 2017	\$ —	\$ 134	\$ 201,546	\$ 1,518	\$ (36,584)	\$ 50,298	\$ 216,912

See accompanying notes to consolidated financial statements.

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BRT APARTMENTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in Thousands)

	Six Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$27,604	\$32,072
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,604	12,943
Amortization of restricted stock and restricted stock units	710	418
Gain on sale of real estate	(35,838)	(24,835)
Gain on sale of partnership interest	—	(15,467)
Loss on extinguishment of debt	799	2,668
Effect of deconsolidation of non-controlling interest	—	(1,687)
Increases and decreases from changes in other assets and liabilities:		
Increase in straight-line rent	(36)	—
Decrease (increase) in interest receivable	2,324	(2,040)
Decrease in deposits and escrows	5,871	3,035
Decrease in other assets	1,190	2,480
Decrease in accounts payable and accrued liabilities	(5,662)	(89)
Net cash provided by operating activities	11,566	9,498
Cash flows from investing activities:		
Collections from real estate loans	13,600	—
Additions to real estate properties	(60,580)	(100,148)
Net costs capitalized to real estate properties	(5,430)	(25,244)
Net change in restricted cash - Newark	—	(1,952)
Net change in restricted cash - Multi Family	764	(470)
Proceeds from the sale of real estate properties	128,647	94,602
Distributions from unconsolidated joint ventures	166	0
Contributions to unconsolidated joint ventures	(14,394)	—
Proceeds from the sale of interest in joint venture	—	16,870
Net cash provided by (used in) investing activities	62,773	(16,342)
Cash flows from financing activities:		
Proceeds from mortgages payable	40,363	96,527
Increase in other borrowed funds	—	6,001
Mortgage payoffs	(79,215)	(63,220)
Mortgage principal payments	(2,539)	(2,591)
Increase in deferred financing costs	(719)	(1,750)
Capital contributions from non-controlling interests	6,398	10,964
Capital distribution to non-controlling interests	(22,832)	(21,013)
Proceeds from sale of New Market Tax Credits	—	2,746
Repurchase of shares of beneficial interest/common stock	(47)	(1,584)
Net cash (used in) provided by financing activities	(58,591)	26,080
Net increase in cash and cash equivalents	15,748	19,236
Cash and cash equivalents at beginning of period	27,399	15,556

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Cash and cash equivalents at end of period	\$43,147	\$34,792
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest, net of capitalized interest of \$185 and \$248 respectively	\$12,536	\$14,181
Taxes paid	\$1,778	\$536
Acquisition of real estate through assumption of debt	\$27,638	\$16,051
Real estate properties reclassified to assets held for sale	\$—	\$32,219
See accompanying notes to consolidated financial statements.		

6

Table of Contents

BRT APARTMENTS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2017

Note 1 – Organization and Background

BRT Apartments Corp. (the "Company"), a Maryland corporation, is the successor to BRT Realty Trust, a Massachusetts business trust, pursuant to the conversion of BRT Realty Trust into BRT Apartments Corp. on March 18, 2017.

The Company owns, operates and develops multi family properties and owns and operates other assets, including real estate and a real estate loan. BRT conducts its operations to qualify as a real estate investment trust, or REIT, for federal income tax purposes.

Generally, the multi family properties are acquired with venture partners in transactions in which the Company contributes 80% of the equity. At March 31, 2017, the Company owns: (a) 32 multi-family properties with 8,805 units located in 11 states (including 271 units at a property in the lease up stage) with a net book value of \$770,555,000; and (b) interests in two unconsolidated joint ventures with a net book value of \$14,257,000.

The Company also owns and operates various other real estate assets. At March 31, 2017, the net book value of these other real estate assets was \$16,459,000, including a real estate loan of \$5,900,000.

Note 2 – Basis of Preparation

The accompanying interim unaudited consolidated financial statements as of March 31, 2017, and for the three and six months ended March 31, 2017 and 2016, reflect all normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for such interim periods. The results of operations for the three and six months ended March 31, 2017 and 2016, are not necessarily indicative of the results for the full year. The consolidated balance sheet as of September 30, 2016, has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements.

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

The Company's consolidated joint ventures that own multi family properties were determined to be VIEs because the voting rights of some equity investors in the applicable joint venture entity are not proportional to their obligations to absorb the expected losses of the entity and their right to receive the expected residual returns. In addition, substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately fewer voting rights. It was determined that the Company is the primary beneficiary of these joint ventures because it has a controlling interest in that it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance and it has the obligation to absorb losses of the entity and the right to receive benefits that could potentially be significant to the VIE.

The joint venture that owns a property in Dallas, TX was determined not to be a VIE but is consolidated because the Company has substantive participating rights in the entity owning the property.

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

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

Table of Contents

For the three and six months ended March 31, 2016, the Company reclassified approximately \$1,162,000 and \$2,083,000 of tenant utility reimbursements from real estate operating expenses to rental and other revenues from real estate properties to conform with the current period presentation. This reclassification increased total revenues and expenses by \$1,162,000 and \$2,083,000 respectively, and had no effect on the Company's financial position, results of operations or cash flows.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Note 3 Equity

Common Stock Dividend Distribution

During the three and six months ended March 31, 2017 and 2016, the Company did not declare a dividend on its shares.

Stock Based Compensation

The Company's Amended and Restated 2016 Incentive Plan (the "Plan") permits the Company to grant: (i) stock options, restricted stock, restricted stock units, performance share awards and any one or more of the foregoing, up to a maximum of 600,000 shares; and (ii) cash settled dividend equivalent rights in tandem with the grant of restricted stock units and certain performance based awards.

Restricted Stock Units

Pursuant to the Plan, in June 2016, the Company issued restricted stock units (the "Units") to acquire up to 450,000 common shares (the "Pay for Performance Program"). In March 2021, recipients of the Units are entitled to receive (i) the underlying shares if certain performance metrics are satisfied at the vesting date, and (ii) cash dividends paid with respect to the common shares underlying the Units if, when, and to the extent, the related Units vest. Because the Units are not participating securities, for accounting purposes, the shares underlying the Units are excluded in the outstanding shares reflected on the consolidated balance sheet and from the calculation of basic earnings per share. The shares are contingently issuable shares but have not been included in the diluted earnings per share as the performance and market criteria have not been met.

Expense is recognized over the five year vesting period on the Units which the Company expects to vest. The Company recorded \$110,000 and \$220,000, respectively of compensation expense related to the amortization of unearned compensation with respect to the Units in the three and six months ended March 31, 2017. At March 31, 2017 and September 30, 2016, \$1,752,000 and \$1,972,000, respectively, has been deferred and will be charged to expense over the vesting period.

Restricted Stock

In January 2017, the Company granted 147,500 shares of restricted stock pursuant to the Plan.

As of March 31, 2017, an aggregate of 689,375 shares of unvested restricted stock are outstanding pursuant to the 2012 Incentive Plan and the 2009 Incentive Plan (collectively the "Prior Plans"). No additional awards may be granted under the Prior Plans. All shares of restricted stock vest five years from the date of grant and under specified circumstances, including a change in control, may vest earlier. For accounting purposes, the restricted stock is not included in the outstanding shares shown on the consolidated balance sheets until they vest, but are included in the earnings per share computation.

For the three months ended March 31, 2017 and 2016, the Company recorded \$276,000 and \$188,000, respectively, of compensation expense related to the amortization of unearned compensation with respect to the stock awards. For the six months ended March 31, 2017 and 2016, the Company recorded \$490,000 and \$418,000, respectively, of compensation expense related to the amortization of unearned compensation with respect to the restricted

Table of Contents

stock awards. At March 31, 2017 and September 30, 2016, \$2,843,000 and \$2,089,000 has been deferred as unearned compensation and will be charged to expense over the remaining vesting periods of these restricted stock awards. The weighted average vesting period of these shares of restricted stock is 2.8 years.

Stock Buyback

On March 11, 2016, the Board of Directors approved a repurchase program authorizing the Company to repurchase up to \$5,000,000 of shares of common stock through September 30, 2017. During the six months ended March 31, 2017, the Company purchased 5,775 shares of common stock at an average market price of \$8.26 per share for a purchase price, including commissions, of \$47,000.

Per Share Data

Basic earnings (loss) per share is determined by dividing net income (loss) applicable to common shareholders for the applicable period by the weighted average number of common shares outstanding during such period. The Units are excluded from the basic earnings per share calculation, as they are not participating securities. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares or resulted in the issuance of common shares that share in the earnings of the Company. Diluted earnings (loss) per share is determined by dividing net income (loss) applicable to common shareholders for the applicable period by the weighted average number of shares of common stock outstanding during such period. For the three and six months ended March 31, 2017, none of the Units are included in the diluted weighted average as they did not meet the applicable performance metrics during such periods.

Basic and diluted shares outstanding for the three months ended March 31, 2017 and 2016, were 14,018,099 and 14,132,235, respectively, and for the six months ended March 31, 2017 and 2016, were 13,957,706 and 14,116,560, respectively.

Note 4 Real Estate Properties

Real estate properties (including properties held for sale) consist of the following (dollars in thousands):

	March 31, 2017	September 30, 2016
Land	\$126,344	\$128,409
Building	678,490	684,133
Building improvements	29,423	25,717
Real estate properties	834,257	838,259
Accumulated depreciation	(53,143)	(44,687)
Total real estate properties, net	\$781,114	\$793,572

A summary of real estate properties owned (including properties held for sale) follows (dollars in thousands):

	September 30, 2016	September 30, 2016	Capitalized Costs and Improvements	Depreciation	Sales	March 31, 2017 Balance
Multi-family	\$783,085	\$88,218	\$5,305	\$(14,014)	\$(92,037)	\$770,557
Land - Daytona, FL	8,021	—	—	—	—	8,021
Shopping centers/Retail - Yonkers, NY	2,466	—	125	(55)	—	2,536
Total real estate properties	\$793,572	\$88,218	\$5,430	\$(14,069)	\$(92,037)	\$781,114

Table of Contents

The following table summarizes the preliminary allocations of the purchase price of six properties purchased between August 1, 2016 and March 31, 2017 and the finalized allocation of the purchase price of such properties, as adjusted as of March 31, 2017 (dollars in thousands):

	Preliminary Purchase Price Allocation	Adjustments	Finalized Purchase Price Allocation
Land	\$ 26,099	\$ (1,550)	\$ 24,549
Building and improvements	160,405	341	160,746
Acquisition-related intangible assets	1,515	1,209	2,724
Total consideration	\$ 188,019	\$ —	\$ 188,019

Note 5 Acquisitions and Dispositions

Property Acquisitions

The table below provides information for the six months ended March 31, 2017 regarding the Company's purchases of multi-family properties (dollars in thousands):

Location	Purchase Date	No. of Units	Purchase Price	Acquisition Mortgage Debt	Initial BRT Equity	Ownership Percentage	Capitalized Acquisition Costs (a)
Fredricksburg, VA	11/4/2016	220	\$ 38,490	\$ 29,940	\$ 8,720	80 %	\$ 643
St. Louis, MO	2/28/2017	53	8,000	6,200	2,002	75.5 %	134
St. Louis, MO	2/28/2017	128	27,000	20,000	6,001	75.5 %	423
		401	\$ 73,490	\$ 56,140	\$ 16,723		\$ 1,200

(a) See Note 15.

The table below provides information for the six months ended March 31, 2016 regarding the Company's purchases of multi-family properties (dollars in thousands):

Location	Purchase Date	No. of Units	Purchase Price	Acquisition Mortgage Debt	Initial BRT Equity	Ownership Percentage	Expensed Acquisition Costs
N. Charleston, SC (a)	10/13/2015	271	\$ 3,625	—	\$ 6,558	65 %	—
La Grange, GA	11/18/2015	236	22,800	\$ 16,051	6,824	100 %	\$ 57
Katy, TX	1/22/2016	268	40,250	30,750	8,150	75 %	382
Macon, GA	2/1/2016	240	14,525	11,200	3,250	80 %	158
Southaven, MS	2/29/2016	392	35,000	28,000	5,856	60 %	413
		1,407	\$ 116,200	\$ 86,001	\$ 30,638		\$ 1,010

(a) This 41.5 acre land parcel was purchased for development. The initial equity includes funds contributed in connection with commencement of construction. Acquisition costs related to this development have been capitalized.

Subsequent to March 31, 2017, the Company purchased the following multi-family property (dollars in thousands):

Location	Purchase Date
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	No. of Units	Purchase Price	Acquisition Mortgage Debt	Initial BRT Equity	Ownership Percentage	Capitalized Acquisition Costs
Creve Coeur, MO 4/4/2017	174	\$ 39,600	\$ 29,000	\$ 9,408	78 %	\$ 567

10

Table of Contents

Property Dispositions

The following table is a summary of the real estate properties disposed of by the Company in the six months ended March 31, 2017 (dollars in thousands):

Location	Sale Date	No. of Units	Sales Price	Gain on Sale	Non-controlling partner portion of gain
Greenville, NC	10/19/2016	350	\$68,000	\$18,483	\$ 9,329
Panama City, FL	10/26/2016	160	14,720	7,393	3,478
Atlanta, GA	11/21/2016	350	36,750	8,905	4,166
Hixson, TN	11/30/2016	156	10,775	608	152
New York, NY	12/21/2016	1	465	449	—
		1,017	\$130,710	\$35,838	\$ 17,125

The following table is a summary of the real estate properties disposed of by the Company in the six months ended March 31, 2016 (dollars in thousands):

Location	Sale Date	No. of Units	Sales Price	Gain on Sale	Non-controlling partner portion of gain
New York, NY	10/1/2015	1	\$652	\$609	—
Cordova, TN	3/2/2016	464	31,100	6,764	\$ 2,195
Kennesaw, GA	3/15/2016	450	64,000	17,462	10,037
		915	\$95,752	\$24,835	\$ 12,232

Note 6 –Real Estate Loan

As a result of the sale of the Company's interest in the Newark Joint Venture in February 2016, the mortgage loan owed to the Company by the venture (the "NJV Loan Receivable"), which, prior to the sale, was eliminated in consolidation, is reflected as a real estate loan on the consolidated balance sheets. At September 30, 2016, the principal amount of the NJV Loan Receivable was \$19,500,000.

In February 2017, the Company received (i) a \$13,600,000 principal paydown of the NJV Loan Receivable and (ii) \$2,606,000, representing all the interest (i.e., current and deferred) due through the repayment date. In connection with this transaction, the Company released certain properties from the mortgages securing the NJV Loan Receivable. Accordingly, at March 31, 2017, the NJV Loan Receivable principal balance is \$5,900,000. This receivable matures in June 2017, bears interest, payable monthly, at a rate of 11% per year, and is secured by several properties in Newark, NJ.

Note 7 - Real Estate Property Held For Sale

At September 30, 2016, the Sandtown Vista property in Atlanta, GA and the Spring Valley property in Panama City, FL were held for sale. The Sandtown Vista property, which had a book value of \$27,076,000, was sold on November 21, 2016. The Spring Valley property, which had a book value \$6,920,000, was sold on October 26, 2016.

Table of Contents

Note 8 - Restricted Cash

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

Note 9 – Investment in Unconsolidated Ventures

During the six months ended March 31, 2017, the Company purchased interests in two unconsolidated joint ventures in Columbia, SC: (i) a \$5,670,000 investment for a 32% interest in a venture which owns a 374 unit multi-family property; and (ii) an \$8,665,000 investment for a 46% interest in a venture in which the Company contemplates the construction of 339 multi-family units. Construction financing for this development project has been secured.

Note 10 – Debt Obligations

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

	March 31, 2017	September 30, 2016
Mortgages payable (a)	\$608,429	\$ 621,382
Junior subordinated notes	37,400	37,400
Deferred mortgage costs	(5,688)	(6,275)
Total debt obligations, net of deferred costs	\$640,141	\$ 652,507

(a) Excludes mortgages payable held for sale of \$27,052,000 at September 30, 2016.

Mortgages Payable

During the six months ended March 31, 2017, the Company incurred the following fixed rate mortgage debt in connection with the following acquisitions (dollars in thousands):

Location	Closing Date	Acquisition Mortgage Debt	Interest Rate	Interest only period	Maturity Date
Fredricksburg, VA	11/4/16	\$ 27,638	3.68 %	N/A	February 2027
St. Louis, MO	2/28/17	20,000	4.79 %	5 years	March 2027
St. Louis, MO	2/28/17	6,197	4.84 %	5 years	March 2027
		\$ 53,835			

During the six months ended March 31, 2017, the Company obtained supplemental fixed rate mortgage financing as set forth in the table below (dollars in thousands):

Location	Closing Date	Supplemental Mortgage Debt	Interest Rate	Maturity Date
Fredricksburg, VA	11/4/16	\$ 2,261	4.84 %	February 2027

Table of Contents

During the six months ended March 31, 2017, \$11,905,000 was advanced on the construction loan that financed the N. Charleston, SC (Factory at Garco) development. At March 31, 2017, \$4,817,000 is available on this facility.

Junior Subordinated Notes

At March 31, 2017 and September 30, 2016, the Company's junior subordinated notes had an outstanding principal balance of \$37,400,000, before deferred financing costs of \$392,000 and \$402,000, respectively. At March 31, 2017, the interest rate on the outstanding balance is three month LIBOR + 2.00% or 3.04%.

The junior subordinated notes require interest only payments through the maturity date of April 30, 2036, at which time repayment of the outstanding principal and unpaid interest become due. Interest expense, including the amortization of deferred costs, for the three months ended March 31, 2017 and 2016, was \$287,000 and \$463,000, respectively, and for the six months ended March 31, 2017 and 2016, was \$561,000 and \$926,000, respectively.

Note 11 – Related Party Transactions

Majestic Property Management Corp., a related party, provides management services to the Company for certain properties owned by the Company and joint ventures in which the Company participates. These fees amounted to \$8,000 for the three months ended March 31, 2017 and 2016, and \$16,000 and \$19,000 for the six months ended March 31, 2017 and 2016, respectively.

The allocation of expenses for the shared facilities, personnel and other resources used by the Company is determined in accordance with a shared services agreement by and among the Company and related parties. Amounts paid pursuant to the agreement are included in general and administrative expenses on the consolidated statement of operations. The Company reimbursed Gould Investors L.P., a related party, \$103,000 and \$160,000, for the three months ended March 31, 2017 and 2016, respectively, and \$182,000 and \$297,000 for the six months ended March 31, 2017 and 2016, respectively, for services provided under the agreement.

Management of many of the Company's multi-family properties (including two unconsolidated multi-family properties) is performed by the Company's joint venture partners or their affiliates (none of these joint venture partners is Gould Investors L.P. or its affiliates). Management fees to these related parties for the three months ended March 31, 2017 and 2016 were \$672,000 and \$366,000, respectively, and for the six months ended March 31, 2017 and 2016 were \$1,296,000 and \$788,000, respectively. In addition, the Company may pay an acquisition fee to a joint venture partner in connection with a property purchased by such joint venture. Acquisition fees to these related parties for the three months ended March 31, 2017 and 2016 were \$350,000 and \$438,000, respectively, and for the six months ended March 31, 2017 and 2016 were \$650,000 and \$439,000, respectively.

In the quarter ended December 31, 2015, the Company borrowed \$8,000,000 from Gould Investors L.P., a related party. Interest for the three and six months ended March 31, 2016 was \$62,000 and \$86,000, respectively. This loan was repaid on February 24, 2016.

Table of Contents

Note 12 - Segment Reporting

Management determined that the Company operates in two reportable segments: a multi-family property segment, which includes the ownership, operation and development of multi-family properties; and an other assets segment, which includes the ownership and operation of the Company's other real estate assets and a real estate loan.

The following tables summarize the Company's segment reporting for the periods indicated (dollars in thousands):

	Three Months Ended March 31, 2017		
	Multi-Family Real Estate	Other Assets	Total
Revenues:			
Rental and other revenues from real estate properties	\$24,318	\$384	\$24,702
Other income	(9	) 190	181
Total revenues	24,309	574	24,883
Expenses:			
Real estate operating expenses	11,749	160	11,909
Interest expense	5,870	532	6,402
General and administrative	2,343	47	2,390
Depreciation	7,745	27	7,772
Total expenses	27,707	766	28,473
Loss from continuing operations	(3,398	) (192	) (3,590
Provision for taxes	1,086	22	1,108
Loss from continuing operation, net of taxes	(4,484	) (214	) (4,698
Net loss (income) attributable to non-controlling interests	502	(33	) 469
Net loss attributable to common stockholders	\$(3,982	) \$(247	) \$(4,229
Segment Assets at March 31, 2017	\$853,226	\$17,294	\$870,520

Table of Contents

	Three Months Ended March 31, 2016		
	Multi-Family Real Estate	Other Assets	Total
Revenues:			
Rental and other revenues from real estate properties	\$23,635	\$358	\$23,993
Other income	—	2,026	2,026
Total revenues	23,635	2,384	26,019
Expenses:			
Real estate operating expenses	11,955	142	12,097
Interest expense	6,028	21	6,049
Property acquisition costs	953	—	953
General and administrative	2,234	46	2,280
Depreciation and amortization	5,605	27	5,632
Total expenses	26,775	236	27,011
Total revenues less total expenses	(3,140)	) 2,148	(992)
Gain on sale of real estate assets	24,226	—	24,226
Loss on extinguishment of debt	(2,668)	) —	(2,668)
Income from continuing operations	18,418	2,148	20,566
Net (income) loss attributable to non-controlling interests	(10,581)	) 672	(9,909)
Net income attributable to common stockholders before reconciling adjustment	\$7,837	\$2,820	\$10,657
Reconciling adjustment:			
Discontinued operations, net of non-controlling interest			14,279
Net income attributable to common stockholders			\$24,936
Segment Assets at March 31, 2016	\$722,338	\$30,637	\$752,975

Table of Contents

	Six Months Ended March 31, 2017		
	Multi-Family Real Estate	Other Assets	Total
Revenues:			
Rental and other revenues from real estate properties	\$48,960	\$771	\$49,731
Other income	(9	) 801	792
Total revenues	48,951	1,572	50,523
Expenses:			
Real estate operating expenses	24,099	256	24,355
Interest expense	11,962	1,127	13,089
General and administrative	4,887	100	4,987
Depreciation	14,015	54	14,069
Total expenses	54,963	1,537	56,500
Total revenue less total expenses	(6,012	) 35	(5,977)
Gain on sale of real estate	35,389	449	35,838
Loss on extinguishment of debt	(799	) —	(799)
Income from continuing operations	28,578	484	29,062
Provision for taxes	1,429	29	1,458
Income from continuing operations, net of taxes	27,149	455	27,604
Net loss attributable to non-controlling interests	(15,995	) (68)	(16,063)
Net income attributable to common stockholders	\$11,154	\$387	\$11,541
Segment Assets at March 31, 2017	\$853,226	\$17,294	\$870,520

Table of Contents

	Six Months Ended March 31, 2016		
	Real Estate	Multi-Family Other Assets	Total
Revenues:			
Rental and other revenues from real estate properties	\$45,639	\$ 673	\$46,312
Other income	—	2,033	2,033
Total revenues	45,639	2,706	48,345
Expenses:			
Real estate operating expenses	22,899	292	23,191
Interest expense	11,487	93	11,580
Advisor's fee, related party	594	99	693
Property acquisition costs	1,010	—	1,010
General and administrative	3,895	134	4,029
Depreciation	10,563	53	10,616
Total expenses	50,448	671	51,119
Total revenue less total expenses	(4,809)	2,035	(2,774)
Gain on sale of real estate	24,226	609	