



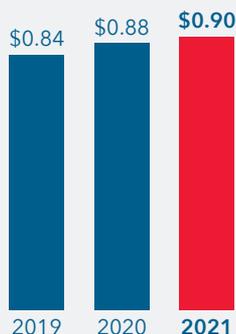
## 2021 ANNUAL REPORT



**BRT APARTMENTS CORP.**, a Maryland corporation, is an internally managed real estate investment trust, also known as a REIT, that is focused on the ownership, operation, and to a lesser extent, development of multi-family properties. At December 31, 2021, we own or have interests in 33 multi-family properties located in 11 states with an aggregate of 9,273 units, including properties and units owned by unconsolidated joint ventures. Most of our properties are located in the Southeast United States and Texas.

BRT's shares of common stock trade on the New York Stock Exchange under the symbol "BRT." As of December 31, 2021, there were 18,530,324 shares outstanding and 748 holders of record.

### DIVIDENDS PER SHARE



### STOCK PRICE

Closing Stock Price on December 31,

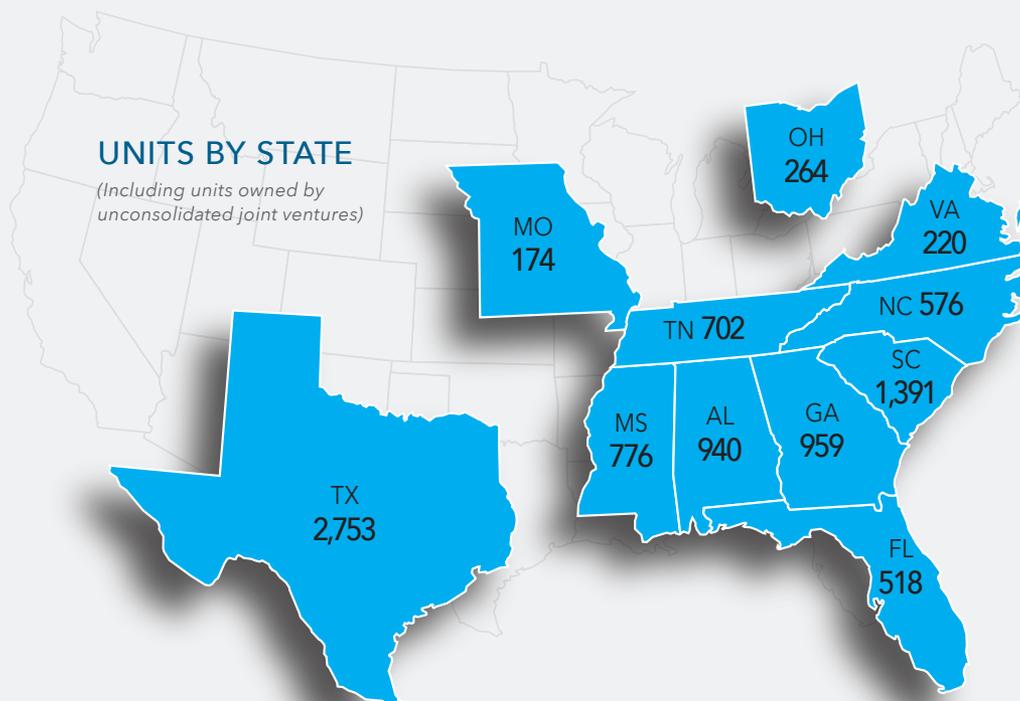


### AFFO PER SHARE



### UNITS BY STATE

(Including units owned by unconsolidated joint ventures)



## TO OUR STOCKHOLDERS

BRT Apartments Corp. operates with a vision to create a resilient, high-quality portfolio of multifamily properties located in growth markets, primarily in the Sunbelt. We expect to increase revenues and cash flow for our investors through favorable market fundamentals and disciplined capital allocation and are pleased to deliver solid full-year growth and performance in 2021. Following the pandemic-impacted year of 2020, we carefully evaluated the acquisition and disposition landscape, prudently consolidating our interests in properties that met our disciplined underwriting criteria, selling interests in properties for which we did not see adequate returns in the future, and enhancing the flexibility of our balance sheet to position the Company for future growth.

BRT delivered strong performance in 2021. We grew AFFO by 23.9% to \$23.8 million, and AFFO per share by 18.8% to \$1.33 per share from 2020. Across our entire portfolio, average occupancy increased 110 basis points to 94.8% and average rents grew 5.5% to \$1,142 per month compared to 2020. Our same-store revenue grew 7.7%, same-store expenses increased 7.6%, and same-store NOI increased 7.8% in comparison to 2020.

Regarding transaction activity, we opportunistically sold six multi-family properties (or our interests) therein, for an aggregate sales price of \$261 million and acquired the remaining minority interests in three joint venture properties for \$45.6 million. As of January 1, 2022, our multi-family portfolio consists of 33 properties representing 9,273 units of which ten properties, representing 2,756 units, are wholly owned.

During 2021, we focused on reducing leverage and lowered our debt to enterprise value (including our pro-rata share of the debt at our unconsolidated joint ventures) by strategically selling properties and raising additional equity capital through our ATM program. Additionally, we entered into a new \$35 million credit facility, which provides enhanced liquidity for BRT to pursue attractive acquisition opportunities and continue to grow its portfolio.

In conclusion, 2021 was a very solid year for BRT. Our portfolio delivered excellent results, and we continue to advance our efforts to grow our wholly-owned portfolio prudently, while also enhancing our financial flexibility. Our geographic focus primarily in the Sunbelt has proven to be successful, as we directly benefit from the historic migratory wave of jobs and families to these markets.

As we look ahead to 2022, we are excited about the opportunities in front of us. Our markets remain very healthy, there are organic growth opportunities through our value-add program and we have greater

financial flexibility to pursue our goals of portfolio growth through direct acquisitions of, and the acquisition of the interests of our joint venture partners in, properties that we find attractive.

Finally, we want to thank the entire BRT team for their hard work and dedication. We also want to thank the Board for their counsel, and our stockholders for their trust in us.

Sincerely yours,



**Israel Rosenzweig**  
*Chairman of the Board*



**Jeffrey A. Gould**  
*President and Chief Executive Officer*

April 15, 2022

# FINANCIAL HIGHLIGHTS

(Dollar amounts in thousands except per share amounts)

	Year ended December 31,	
	2021	2020
Rental and other revenue from real estate properties	\$ 32,041	\$ 27,451
Other income	16	651
Total revenues	32,057	28,102
Real estate operating expenses	14,202	12,377
Interest expense	6,757	7,100
General and administrative	12,621	11,701
Impairment charge	520	3,642
Depreciation	8,025	6,742
Total expenses	42,125	41,562
Total revenues less total expenses	(10,068)	(13,460)
Equity in loss of unconsolidated joint ventures	(4,208)	(6,024)
Equity in earnings from sale of unconsolidated joint venture properties	34,982	–
Gain on sale of real estate	7,693	–
Gain on sale of partnership interest	2,632	–
Loss on extinguishment of debt	(1,575)	–
Income (loss) from continuing operations	29,456	(19,484)
Provision for taxes	206	248
Income (loss) from continuing operations, net of taxes	29,250	(19,732)
(Income) attributable to non-controlling interests	(136)	(130)
Net income (loss) attributable to common stockholders	\$ 29,114	\$ (19,862)
Per share amounts attributable to common stockholders		
Basic earnings (loss) per share	\$ 1.63	\$ (1.16)
Diluted earnings (loss) per share	\$ 1.62	\$ (1.16)

	December 31,	
	2021	2020
Total assets	\$459,538	\$365,741
Real estate properties, net of accumulated depreciation	293,550	160,192
Investment in unconsolidated joint ventures	112,347	169,474
Cash and cash equivalents	32,339	19,885
Restricted cash	6,582	8,800
Mortgages payable, net of deferred costs	199,877	130,434
Junior subordinated notes, net of deferred costs	37,103	37,083
Total BRT Apartments Corp. stockholders' equity	202,956	177,772



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

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**  
(State or other jurisdiction of  
incorporation or organization)

**13-2755856**  
(I.R.S. employer  
identification no.)

60 Cutter Mill Road, Great Neck, New York  
(Address of principal executive offices)

11021  
(Zip Code)

**516-466-3100**

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Shares of common stock, par value \$.01 per share	BRT	New York Stock Exchange

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

**NONE**  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately \$189.6 million based on the last sale price of the common equity on June 30, 2021, which is the last business day of the registrant's most recently completed second quarter.

As of March 1, 2022, the registrant had 18,530,324 shares of common stock outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the proxy statement for the 2022 annual meeting of stockholders of the Registrant to be filed pursuant to Regulation 14A not later than May 2, 2022, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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### **Explanatory Note**

Unless otherwise indicated or the context otherwise requires, all references to (i) “us”, “we”, “BRT” or the “Company” refer to BRT Apartments Corp. and its consolidated and unconsolidated subsidiaries; (ii) all interest rates give effect to the related interest rate derivative, if any; (iii) "acquisitions" include investments in unconsolidated joint ventures; (iv) references to the impact of the COVID-19 pandemic include the impact of the governmental and non-governmental responses thereto and the economic and financial consequences thereof, (v) our "significant subsidiaries" (as such term is by Rule 1-02(w) of Regulation S-X, include TRB Holdings LLC, TRB Bells Bluff LLC, which own Bells Bluff, a property located in West Nashville, TN and TRB Civic Center LLC, which owns Civic Center I and II, properties located in Southaven MS and (vi) "same store properties" refer to properties that we owned and operated for the entirety of periods being compared, except for properties that are in lease-up. We move properties previously excluded from our same store portfolio (because they were in lease up) 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. 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.

### **Cautionary Statement Regarding Forward-Looking Statements**

This Annual Report on Form 10-K, together with other statements and information publicly disseminated by us, 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 (the "Exchange Act"). We intend 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 include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends concerning matters that are not historical facts. Forward looking statements are generally identifiable by use of words such as "may," "will," "will likely result," "shall," "should," "could," "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions or variations thereof.

Forward-looking statements contained in this Annual Report are based on our beliefs, assumptions and expectations of our future performance taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control, and which could materially affect actual results, performance or achievements. Factors which may cause actual results to vary from our forward-looking statements include, but are not limited to:

- the impact of the COVID-19 pandemic;
- general economic and business condition and developments, including those currently affecting or that may affect our economy, such as the outbreak of hostilities between Russia and Ukraine;
- accessibility of debt and equity capital markets;
- general and local real estate conditions, including any changes in the value of our real estate;
- changes in Federal, state and local governmental laws and regulations, including laws and regulations relating to taxes and real estate and related investments;
- the level and volatility of interest rates;
- challenges in acquiring properties (including challenges in buying the interests of joint venture partners and buying properties directly without the participation of joint venture partners), which acquisitions may not be completed or may not produce the cash flows or income expected;
- the competitive environment in which we operate, including competition that could adversely affect our ability to acquire properties and/or limit our ability to lease apartments or increase or maintain rental income;
- a limited number of multi-family property acquisition opportunities acceptable to us;
- the concentration of our multi-family properties in the Southeastern United States and Texas, which makes us more susceptible to adverse developments in those markets;
- risks associated with acquiring value-add multi-family properties, which involves greater risks than more conservative approaches;
- the condition of Fannie Mae or Freddie Mac, which could adversely impact us;

- our failure to comply with laws, including those requiring access to our properties by disabled persons, which could result in substantial costs;
- insufficient cash flows, which could limit our ability to make required payments on our debt obligations;
- impairment in the value of real estate we own;
- failure of property managers to properly manage properties;
- disagreements with, or misconduct by, joint venture partners;
- decreased rental rates or increasing vacancy rates;
- our ability to lease units in newly acquired or newly constructed multi-family properties;
- potential defaults on or non-renewal of leases by tenants;
- creditworthiness of tenants;
- our ability to obtain financing for acquisitions;
- development and acquisition risks, including rising or unanticipated costs and failure of such acquisitions and developments to perform in accordance with projections;
- the timing of acquisitions and dispositions;
- our ability to reinvest the net proceeds of dispositions into more, or as favorable, acquisition opportunities;
- potential natural disasters such as hurricanes, tornadoes and floods;
- board determinations as to timing and payment of dividends, if any, and our ability or willingness to pay future dividends;
- financing risks, including the risks that our cash flows from operations may be insufficient to meet required debt service obligations and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;
- lack of or insufficient amounts of insurance to cover, among other things, losses from catastrophes;
- our ability to maintain our qualification as a REIT;
- possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us or a subsidiary owned by us or acquired by us;
- our dependence on information systems;
- risks associated with breaches of our data security;
- risks associated with the stock ownership restrictions of the Code for REITs and the stock ownership limit imposed by our charter;
- increases in real estate taxes at properties we acquire due to such acquisitions or other factors; and
- the other factors described in this Annual Report, including those set forth under the captions "*Item 1. Business,*" "*Item 1A. Risk Factors,*" and "*Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*".

We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report. Except to the extent otherwise required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the filing of this Annual Report or to reflect the occurrence of unanticipated events thereafter.

## PART I

### Item I. Business.

#### General

We are an internally managed real estate investment trust, also known as a REIT, that is focused on the ownership, operation and, to a lesser extent, development of multi-family properties. These properties may be wholly-owned or owned by unconsolidated joint ventures in which we generally contributed 65% to 80% of the equity. At December 31, 2021, we (i) wholly- own ten multi-family properties with an aggregate of 2,576 units and a carrying value of \$291.5 million, and (ii) have ownership interests, through unconsolidated entities, in 23 multi-family properties with an aggregate of 6,697 units and carrying value of our net equity investment therein is \$112.3 million. These 33 properties are located in 11 states; most of our properties are located in the Southeast United States and Texas.

Our website can be accessed at [www.brtapartments.com](http://www.brtapartments.com), where copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the Securities and Exchange Commission, or SEC, can be obtained free of charge.

#### The Impact of the COVID-19 Pandemic; 2021 and Recent Developments.

The pandemic did not have a direct material adverse effect on our financial condition and results of operations; however, there were some direct negative effects (*e.g.*, properties adjacent to colleges and universities experienced lower occupancy levels and rental income due to remote learning) and indirect negative effects (*e.g.*, we were more conservative in raising rents, pursuing acquisitions and in implementing our value add program, all of which, if more aggressively pursued, may have allowed us to generate additional income). The impact of the pandemic on our business, financial condition, liquidity, results of operations and prospects will depend on future developments, which are highly uncertain and cannot be predicted with confidence. See *"Item 1A. Risk Factors"* and *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-The Impact of the COVID-19 Pandemic; 2021 and Recent Developments"*.

During 2021:

#### Purchases

- we purchased the interests of our joint venture partners in ventures that own three multi-family properties (*i.e.*, Bells Bluff, Crestmont at Thornblade, and Crossings at Bellevue) for an aggregate purchase price of \$45.6 million. As a result, these properties are wholly-owned and the accounts and results of operations of these properties are included directly in our consolidated financial statements as of the applicable date of purchase. In connection with these transactions, we assumed mortgage debt of \$26.4 million at Crestmont at Thornblade and obtained replacement mortgage debt of \$89.7 million to replace the existing debt of \$61.8 million on the other two properties.
- we purchased an additional 14.7% interest in Civic Center I and Civic Center II - Southaven, MS from our joint venture partner for \$6.0 million. After giving effect to this purchase, we own 74.7% of the venture that owns these properties.

#### Sales

- we sold Kendall Manor - Houston, TX, a wholly-owned property (the "Kendall Manor"), to an unrelated third party for \$24.5 million and recognized a gain on the sale of this property of \$7.3 million. In connection with the sale, we paid off the \$14.3 million of mortgage debt maturing in August 2021 and bearing an annual interest rate of 4.29%. During (a) 2021 (through the May 26 sale date), this property contributed \$1.2 million of rental income, \$830,000 of real estate operating expenses, \$272,000 of interest expense and \$123,000 of depreciation, and (b) 2020, this property contributed \$2.9 million of rental income, \$1.9 million of real estate operating expenses, \$675,000 of interest expense and \$848,000 of depreciation.
- we sold our interests in the unconsolidated joint ventures that owned (a) Anatole Apartments - Daytona Beach, FL ("Anatole Apartments"), and (b) Tower at OPOP and Lofts at OPOP- St Louis, MO (collectively, the "OPOP Properties"), to our joint venture partners, for \$10.5 million and recognized a gain on sales of our partnership interests of \$2.6 million, after giving effect to the impairment charge of \$520,000 taken in 2021 in connection with the sale of OPOP Properties. In 2021 and 2020, these properties contributed \$1.0 and \$ 1.1 million, respectively, in equity in loss of unconsolidated joint ventures.
- the unconsolidated joint venture which owned The Avenue Apartments, Ocoee, FL, and Parc at 980, Lawrenceville, GA, sold these properties for an aggregate of \$225.9 million and recognized an aggregate gain on the sale of these properties

of \$84.0 million. As a result of these sales, we recorded an aggregate gain of \$35.0 million. The mortgage debt secured by these properties and paid-off in connection with the sales was in aggregate principal amount of \$107.5 million, had weighted average interest rate of 3.94% and a weighted average remaining term to maturity of 6.6 years. In connection with these sales, the joint venture recognized an aggregate loss on the extinguishment of debt of \$9.4 million, of which our share was \$4.6 million. During 2021 (through the applicable sales dates) and 2020, these properties contributed \$60,000 and \$(54,000), respectively, of equity in earnings (loss) of unconsolidated joint ventures.

- we sold a cooperative apartment unit located in New York, NY for a sales price of \$545,000 and recognized a gain of \$414,000.

#### Financing: Other

- we amended and restated our credit facility, among other things, to increase the amount available to be borrowed to \$35 million, reduced the interest rate to 25 basis points over the prime rate with a floor of 3.5%, and extended the facility through November 2024.
- our consolidated subsidiaries paid-off three first mortgages and three supplemental mortgages with an aggregate balance of \$31.9 million. These mortgages had a weighted average interest rate of 4.53% and a remaining term to maturity of nine months. In connection with the payoffs, we incurred a loss on the extinguishment of debt of \$822,000.
- we raised approximately \$9.6 million of equity from the sale of 529,126 shares of our common stock pursuant to our at-the-market equity offering program.
- we implemented, in September 2021, a 4.5% per share increase in our cash dividend, and declared dividends of an aggregate of \$0.90 per share in 2021.
- we maintained an average occupancy rate of 97.1% at our wholly-owned properties and 94.2% at our joint venture properties.

Subsequent to December 31, 2021:

- we sold a vacant land parcel located in Daytona, Florida (the "South Daytona Property") for a sales price of \$4.7 million, and, after closing costs, recognized a nominal gain. In 2020, we recognized an impairment charge of \$3.6 million in connection with this property.
- we acquired for \$3.5 million a 17.45% interest in a planned 240-unit development property located in Johns Island, SC. We anticipate that this development will be completed in the fourth quarter of 2023.
- the unconsolidated joint venture in which we have a 65% equity interest sold The Veranda at Shavano, a 288-unit multi-family property in San Antonio, Texas, for a sales price of \$53.8 million. We estimate that the gain on the sale of this property will be approximately \$23.7 million and that our share of the gain, which will be recognized in the first quarter of 2022, will be approximately \$12.7 million. This property was secured by \$25.1 million of floating rate mortgage debt with 1.4 years of remaining term to maturity which was repaid in connection with the sale. The venture also terminated an interest rate swap and paid a termination fee of \$188,000 of which our share will be approximately \$122,000. During the year ended December 31, 2021, this property generated \$526,000 of equity in earnings from unconsolidated joint ventures, which includes a \$616,000 gain from insurance proceeds. During the year ended December 31, 2020, this property generated \$322,000 of equity in loss from unconsolidated joint ventures.
- we used our available cash to pay-off \$15.5 million of 4.29% mortgage debt of Avalon Apartments - Pensacola, FL, a wholly owned property, that was scheduled to mature in March 2022.
- we raised \$2.2 million of equity from the sale of 100,000 shares of our common stock pursuant to our at-the-market offering program through March 1, 2022.
- we announced that we entered into separate agreements to acquire (the "2022 Partner Buyouts") the remaining interests of five of our joint venture partners at five multi-family properties with an aggregate of 1,064 units. The aggregate purchase price for these interests is approximately \$30.4 million and in connection with such purchases, we will assume mortgage debt that as of December 31, 2021, was in aggregate principal amount of \$97.7 million. (Such mortgage debt is currently reflected in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Disclosure of Known Material Contractual Obligations"). The completion of these purchases is subject to customary

closing conditions (including with respect to four of the purchases, the approval of the holder of the applicable mortgage debt), and no purchase is contingent upon the completion of any other purchase. The weighted average remaining term to maturity of the mortgage debt to be assumed is 7.1 years and the weighted average interest rate thereon is 4.17%. This mortgage debt will be non-recourse to us at the BRT parent level and to our subsidiary that owns the applicable property, subject to customary carve-out guarantees and indemnities at the parent and property subsidiary levels. During 2021, these properties contributed an aggregate of \$295,000 of equity in loss of unconsolidated joint ventures. We anticipate using our available cash to fund these purchases and that these transactions will be completed over the next several months. After a purchase is completed, such property will be wholly owned and the accounts and operations of such property will be included directly, from the date of such purchase, in our consolidated balance sheets and consolidated statement of operations, respectively. As a result, we anticipate that our revenues, total expenses, assets and liabilities, will increase. We can provide no assurance that any of these transactions will be completed or that if completed, will be accretive.

## Our Multi-Family Properties

Generally, our multi-family properties are garden apartment, mid-rise or town home style properties that provide residents with amenities, such as a clubhouse, swimming pool, laundry facilities and cable television access. Residential leases are typically for a one-year term and may require security deposits equal to one month's rent. Substantially all of the units at these properties are leased at market rates. Set forth below is selected information regarding the multi-family properties in which we have an interest, as of December 31, 2021, all of which, except for the properties in which we have a 100% ownership interest, are owned by unconsolidated joint ventures:

Property Name and Location	Number of Units	Age	Acquisition Date	Our Percentage Ownership (%) (1)	Average Monthly Rental Rate Per Occupied Unit \$(2)(3)					Average Physical Occupancy (%) (3)				
					2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Silvana Oaks Apartments—N. Charleston, SC	208	11	10/4/2012	100	1,231	1,182	1,162	1,143	1,126	95.1	93.2	94.5	93.2	94.5
Avondale Station—Decatur, GA	212	67	11/19/2012	100	1,196	1,173	1,102	1,047	979	97.2	95.3	96.2	94.4	97.6
Newbridge Commons—Columbus, OH	264	22	11/21/2013	100	947	929	898	853	801	97.5	95.2	95.2	96.7	96.8
Avalon Apartments—Pensacola, FL	276	13	12/22/2014	100	1,250	1,124	1,065	1,003	969	98.1	95.3	96.4	93.8	90.9
Parkway Grande—San Marcos, TX	192	7	9/10/2015	100	1,042	1,035	1,075	1,067	1,044	97.1	93.4	94.5	93.1	95.0
Woodland Trails—LaGrange, GA	236	12	11/18/2015	100	1,059	1,014	960	938	873	98.9	96.7	96.1	95.2	95.7
Kilburn Crossing — Fredericksburg, VA	220	16	11/4/2016	100	1,465	1,411	1,389	1,302	1,246	97.9	96.2	95.1	95.9	95.0
Bells Bluff — West Nashville, TN (4)	402	2	6/2/2017	100	1,421	1,482	N/A	N/A	N/A	92.3	74.7	N/A	N/A	N/A
Crestmont at Thornblade — Greenville, SC (4)	266	24	10/30/2018	100	1,104	1,051	1,072	1,156	—	96.3	91.8	88.7	92.1	—
Crossings of Bellevue—Nashville, TN (4)	300	36	4/2/2014	100	1,186	1,186	1,157	1,120	1,066	97.1	96.3	97.3	98.3	97.3
Brixworth at Bridge Street—Huntsville, AL	208	36	10/18/2013	80	879	828	755	760	690	96.1	97.6	96.4	92.6	95.9
Retreat at Cinco Ranch— Katy, TX (5)	268	13	1/22/2016	75	1,274	1,192	1,134	1,076	1,098	96.9	92.9	91.8	96.2	89.5
Grove at River Place — Macon, GA	240	33	2/1/2016	80	792	744	735	709	662	95.6	92.2	90.7	93.6	95.2
Civic Center I—Southaven, MS (6)	392	19	2/29/2016	75	1,021	958	922	872	834	98.2	97.1	96.5	97.3	96.4
The Veranda at Shavano — San Antonio, TX (7)(11)	288	8	5/6/2016	65	1,119	1,057	1,062	1,021	982	92.8	92.5	92.7	93.4	92.0
Chatham Court and Reflections — Dallas, TX	494	35	5/11/2016	50	950	969	959	930	876	93.3	85.2	92.4	92.0	93.4
Waters Edge at Harbison— Columbia, SC	204	25	5/31/2016	80	1,009	929	928	869	878	94.5	93.9	91.0	91.8	93.7
The Pointe at Lenox Park— Atlanta, GA	271	32	8/15/2016	74	1,275	1,255	1,216	1,201	1,176	96	94.6	93.2	88.8	91.1
Civic Center II — Southaven, MS (6)	384	16	9/1/2016	75	1,085	1,031	979	925	883	98.2	96.6	97.2	96.8	96.7
Verandas at Alamo Ranch—San Antonio, TX (8)(11)	288	6	9/19/2016	72	1,084	1,039	1,022	996	972	91.2	93.2	93.8	92.4	89.0
Canalside Lofts — Columbia, SC	374	6	11/10/2016	32	1,225	1,406	1,217	1,220	1,185	93.2	90.9	93.0	89.7	92.7
Canalside Sola — Columbia, SC (9)	339	6	11/10/2016	46	1,361	1,395	1,445	1,432	—	92.6	81.4	68.0	22.0	—
Vanguard Heights — Creve Coeur, MO (10)	174	5	4/4/2017	78	1,583	1,604	1,560	1,495	1,652	93.6	95.9	95.3	91.4	74.7
Mercer Crossing — Farmers Branch, TX	509	5	6/29/2017	50	1,374	1,314	1,308	1,279	1,272	95.9	90.6	92.0	89.3	91.4
Jackson Square — Tallahassee, FL	242	25	8/30/2017	80	1,131	1,090	1,067	1,018	1,062	94.2	94.8	94.6	91.0	94.2
Gateway Oaks — Forney, TX	313	5	9/15/2017	50	1,181	1,147	1,148	1,108	988	96.7	91.1	93.9	92.8	93.7

Property Name and Location	Number of Units	Age	Acquisition Date	Our Percentage Ownership (%) (1)	Average Monthly Rental Rate Per Occupied Unit \$(2)(3)					Average Physical Occupancy (%) (3)				
					2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Magnolia Pointe at Madison — Madison, AL	204	30	12/7/2017	80	1,036	924	881	826	—	96.6	97.6	98.5	95.3	—
The Woodland Apartments — Boerne, TX (11)	120	14	12/14/2017	80	974	980	960	918	—	87.0	96.3	94.1	91.3	—
Landings of Carrier Parkway — Grand Prairie, TX	281	20	5/17/2018	50	1,149	1,098	1,019	957	—	94.1	94.5	90.4	93.7	—
The Vive — Kannapolis, NC	312	12	3/12/2019	65	1,199	1,103	1,105	—	—	95.5	94.6	90.6	—	—
Somerset at Trussville — Trussville, AL	328	15	5/7/2019	80	1,078	998	1,007	—	—	95.7	97.0	95.1	—	—
Village at Lakeside — Auburn, AL	200	33	8/8/2019	80	907	859	835	—	—	97.1	96.0	95.7	—	—
Abbots Run — Wilmington, NC	264	19	2/20/2020	80	978	873	—	—	—	95.3	93.5	—	—	—
Total	<u>9,273</u>													

- (1) Distributions to, and profit sharing between, joint venture partners, are determined pursuant to the applicable agreement governing the relationship between the parties and are generally not *pro rata* to the equity ownership percentage each joint venture partner has in the applicable joint venture.
- (2) Monthly rental rate per unit reflects our period of ownership.
- (3) For 2017, reflects the twelve months ended September 30.
- (4) Prior to 2021, our ownership interest in Bells Bluff, Crestmont at Thornblade and Crossings of Bellevue was 58.1%, 90% and 80% respectively. Bells Bluff was in lease-up until September 2020.
- (5) This property was impacted in 2017 by Hurricane Harvey.
- (6) Prior to 2021, our ownership in the joint venture that owns these properties was 60%.
- (7) This property was sold in February 2022.
- (8) In February 2022, we bought out the interests of our joint venture partner and as a result the property is wholly-owned by us.
- (9) This property was in lease up until September 2020.
- (10) This property was in lease up until June 2018.
- (11) Occupancy in 2021 was effected by damage from the February ice storm in Texas (the "Texas Storm").

The following table sets forth certain information, presented by state, related to our consolidated properties as of December 31, 2021 (dollars in thousands):

State	Number of Properties	Number of Units	2021 Rental and Other Revenues	Percent of 2021 Rental and Other Revenues
Georgia	2	448	\$ 6,724	22 %
Florida	1	276	4,594	15 %
South Carolina (1)	2	474	4,401	14 %
Virginia	1	220	4,274	14 %
Tennessee (2)	2	702	3,410	11 %
Ohio	1	264	3,232	10 %
Texas (3)	1	192	2,710	9 %
Other (4)	—	—	1,510	5 %
<b>Total</b>	<b>10</b>	<b>\$ 2,576</b>	<b>\$ 30,855</b>	<b>100 %</b>

- (1) Includes revenues beginning in October 2021 when we purchased our venture partner's remaining interest in Crestmont at Thornblade.  
(2) Includes revenues beginning in August and December 2021, when we purchased our venture partners' remaining interests in Bells Bluff and Crossings of Bellevue, respectively.  
(3) Excludes 2021 revenues from Kendall Manor.  
(4) Includes non-multi-family revenues.

The following table sets forth certain information, presented by state, related to properties owned by unconsolidated joint ventures as of December 31, 2021 (dollars in thousands):

State	Number of Properties	Number of Units	2021 Rental and Other Revenues (1)	Percent of 2021 JV Rental and Other Revenues (1)
Texas	8	2,561	\$ 38,460	39 %
South Carolina	3	917	13,778	14 %
Alabama	4	940	12,326	13 %
Mississippi	2	776	10,367	11 %
North Carolina	2	576	8,677	9 %
Georgia	2	511	6,894	7 %
Missouri	1	174	3,463	4 %
Florida	1	242	3,357	3 %
<b>Total</b>	<b>23</b>	<b>\$ 6,697</b>	<b>\$ 97,322</b>	<b>100 %</b>

- (1) The term "JV Rental and other Revenues" refers to the revenues generated at multi-family properties owned by unconsolidated joint ventures. Excludes revenues generated in 2021 from properties sold (including the properties at which we purchased the remaining interests of our venture partners) during such year. See note 6 to our consolidated financial statements.

### *Our Acquisition Approach*

#### Current Acquisition Approach

Given the current highly competitive environment to acquire multi-family properties, and our belief that in such environment buying properties offered for sale by third parties will not generate an appropriate risk adjusted return for our stockholders, we are emphasizing purchasing the interests of our joint venture partners. See "*The Impact of the COVID-19 Pandemic; 2021 and Recent Developments*". Although the price we pay for our venture partner's interest is greater than that implied by such partner's percentage interest in the venture (because we in effect are buying our partner's "promote" (*i.e.*, our venture partner's disproportionate share of the income and/or cash flow above a pre-determined threshold in recognition of such partner's introducing us to the acquisition opportunity)), and the blended rate of return on investment (as described below) will not be as favorable as those generated in the past from such properties prior to the purchase of our partner's interest, we nonetheless believe that the blended rate of return on investment (*i.e.*, the combination of the rate of return generated from the return on our original investment as blended with the return generated after giving effect to the purchase of our joint venture partners' interests) that we will achieve is superior to that, and a better use of our available investable assets, than other acquisition opportunities currently available in the market. As we are actively involved in the operations of these properties, we are well positioned to evaluate the efficacy of such investment. We are also making a greater effort to acquire properties

directly (*i.e.*, not with joint venture partners) as we expect that this will allow the possibility for greater returns on our investment (*i.e.*, we will not have to pay promotes) and allow the accounts and operations of such properties to be presented directly in our consolidated financial statements.

### Historic Acquisition Approach

Historically, we identified multi-family property acquisition opportunities primarily through relationships developed over time by our officers with former borrowers, current joint venture partners, real estate investors and brokers and have focused on acquiring the following of multi-family property types:

- Class B or better properties with strong and stable cash flows in markets where we believe there exists opportunity for rental growth and further value creation;
- Class B or better properties that offer significant potential for capital appreciation through repositioning or rehabilitating the asset to drive rental growth;
- properties available at opportunistic prices providing an opportunity for a significant appreciation in value; and
- development of Class A properties in markets where we believe we can generate significant returns from the operation and if appropriate, sale of the development.

We focused on acquiring properties that provide stable risk adjusted total returns (*i.e.*, operating income plus capital appreciation), including value-add opportunities (*i.e.*, properties that can be repositioned or improved allowing us to generate higher rents or improved occupancy) and emphasized acquiring properties in the Southeast United States and Texas. We have been opportunistic in pursuing multi-family property acquisitions and have not mandated any specific acquisition criteria, though we take the following into account in evaluating an acquisition opportunity: location, demographics, size of the target market, property quality, availability and terms and conditions of long-term fixed-rate mortgage debt, potential for capital appreciation or recurring income, extent and nature of contemplated capital improvements and property age. We have, historically, acquired properties with a joint venture partner with knowledge and experience in owning and operating multi-family properties in the target market.

A key consideration in our acquisition process (including the current acquisition environment in which we are emphasizing buying the interests of our joint venture partners) is the availability of mortgage debt to finance the acquisition (or the ability to assume the mortgage debt on the property) and the terms and conditions (*e.g.*, interest rate, amortization and maturity) of such debt. Historically, approximately 35% to 40% of the purchase price has been paid in cash (all or a portion of our share of which may be funded by borrowing from our credit facility) and the balance is financed with mortgage debt. We believe that the use of leverage allows us the ability to earn a greater return on our investment than we would otherwise earn. Generally, the mortgage debt obtained in connection with an acquisition matures five to ten years thereafter, is interest only for one to five years after the acquisition, and provides for a fixed interest rate and for the amortization of the principal of such debt over 30 years.

Potential acquisitions are reviewed and approved by our investment committee. Approval requires the assent of not less than five of the eight members of this committee, all of whom are our executive officers. Board of director approval is required for any single multi-family property acquisition in which our equity investment exceeds \$40 million.

From time-to-time we have pursued development opportunities with joint venture partners when we believe the potential higher returns justify the additional risks. The factors considered in pursuing these opportunities generally include the factors considered in evaluating a standard acquisition opportunity, and we place additional emphasis on our joint venture partner's ability to execute a development project. We do not anticipate development properties will constitute a significant part of our portfolio.

### *Purchase of Joint Venture Interests in 2021*

We bought the interests of our joint venture partners in ventures that own three multi-family properties (*i.e.*, Bells Bluff, Crestmont at Thornblade, and Crossings of Bellevue). As a result, these properties are wholly-owned by us. The aggregate purchase price for these interests was \$45.6 million. In connection with with these purchases, we assumed debt of \$26.4 million on Crestmont at Thornblade and obtained replacement debt of \$89.7 million to replace the existing debt of \$61.8 million on the other two properties.

We purchased an additional 14.7% interest in Civic Center I and Civic Center II - Southaven, MS from our joint venture partner for \$6.0 million. After giving effect to this purchase, we own 74.7% of the venture that owns these properties.

#### *Property and Joint Venture Dispositions*

We monitor our portfolio to identify properties that should be sold. Factors considered in deciding whether to sell a property generally include our evaluation of the current market price of such property compared to its projected economics and changes in the factors considered by us in acquiring such property. We also believe it is important for us to maintain strong relationships with our joint venture partners. Accordingly, we also take into account our partners' desires with respect to property sales. If our partners deem it in their own economic interest to dispose of a property at an earlier date than we would otherwise dispose of a property, we may accommodate such request and agree to sell the property to a third party or attempt to purchase our partner's interest.

#### Sale of Wholly-Owned Properties

On May 26, 2021, we sold Kendall Manor for a sales price of \$24.5 million and recognized a gain on the sale of this property of \$7.3 million. During 2021, this property contributed \$1.2 million of rental income, \$830,000 of real estate operating expense, \$272,000 of interest expense and \$123,000 of depreciation, respectively. During 2020, this property contributed \$2.9 million of rental income, \$1.9 million of real estate operating expenses, \$675,000 of interest expense and \$848,000 of depreciation, respectively.

On August 20, 2021, we sold a cooperative apartment unit in New York, NY for a sales price of \$545,000 and recognized a gain on the sale of \$414,000.

#### Dispositions of Joint Venture Properties

The unconsolidated joint venture which owned The Avenue Apartments, Ocoee, FL, and Parc at 980, Lawrenceville, GA, sold these properties for an aggregate of \$225.9 million and recognized an aggregate gain on the sale of these properties of \$84.0 million. As a result of these sales, we recorded an aggregate gain of \$35 million. The mortgage debt secured by these properties and paid off in connection with the sales was in aggregate principal amount of \$107.5 million, had a weighted average interest rate of 3.94% and a weighted average remaining term to maturity of 6.6 years. In connection with these sales, the joint venture recognized an aggregate loss on the extinguishment of debt of \$9.4 million, of which our share was \$4.6 million. During 2021 (through the applicable sales dates) and 2020, these properties contributed \$60,000 and \$(54,000), respectively, of equity in earnings (loss) of unconsolidated joint ventures.

#### Sale of Joint Venture Interests

We sold our interests in the unconsolidated joint ventures that owned (i) Anatole Apartments - Daytona Beach, FL ("Anatole Apartments"), and (ii) Tower at OPOP and Lofts at OPOP - St Louis, MO (collectively, the "OPOP Properties"), to our joint venture partners, for \$10.5 million and recognized a gain on sales of our interests of \$2.6 million, after giving effect to the impairment charge of \$520,000 taken in 2021 in connection with the OPOP Properties. During 2021 (through the applicable sales dates) and 2020, these three properties contributed \$1.0 million and \$1.1 million respectively, in equity in loss of unconsolidated joint ventures.

#### *Joint Venture Arrangements*

The arrangements with our multi-family property joint venture partners are deal-specific and vary from transaction-to-transaction. Generally, these arrangements provide for us and our joint venture partner to receive net cash flow available for distribution and/or profits in the following order of priority (in certain cases, we are entitled to these distributions on a senior or preferential basis): (i) a preferred return of 8% to 10% on each party's unreturned capital contributions, until such preferred return has been paid in full; and (ii) the return in full of each party's capital contribution (and together with the preferred return, the "Mandatory Return"). Thereafter, distributions to, and profit sharing between, joint venture partners, is determined pursuant to the applicable agreement governing the relationship between the parties. The allocation and distribution of cash and profits to BRT after the Mandatory Return is generally less than that implied by BRT's percentage equity interest in the venture/property as a result of allocation/distribution provisions of our joint venture operating agreements.

Although as noted above each joint venture operating agreement contains different terms, such agreements may limit our right to vote and receive dividends and distributions. Further, such agreements generally provide for a buy-sell procedure under specified circumstances, including, (i) if the partners are unable to agree on major decisions or (ii) upon a change in control of our subsidiary owning the interest in the joint venture. Further, these arrangements may also allow us, and in some cases, our

joint venture partner, to force the sale of the property after it has been owned by the joint venture for a specified period (e.g., four to five years after the acquisition).

### Property Management

The day-to-day management of our multi-family properties is overseen by property management companies operating in the market in which the property is located. Approximately 61% of our properties are managed by management companies that are owned by a joint venture partner or its affiliates. These property management companies are paid fees ranging from 2% to 4% of revenues generated by the applicable property. Generally, we can terminate these management companies upon specified notice or for cause, subject to the approval of the mortgage lender and, in some cases, our joint venture partner. We believe satisfactory replacements for property managers are available, if required.

### Mortgage Debt

In acquiring properties, we use fixed rate mortgage debt to pay from 50% to 65% of the purchase price. Although fixed rate mortgage debt is typically more expensive and less flexible than variable rate mortgage debt (e.g., the interest rate is higher at origination and there are typically high prepayment penalties, yield maintenance payments and/or defeasance penalties when refinancing the debt prior to maturity), we prefer using such debt as it caps our exposure to fluctuating interest rates. We also from time to time obtain supplemental mortgage debt on an acquired property which, among other things, allows us to generate additional cash resulting from the appreciation of the value of the property. As of December 31, 2021, the weighted average annual interest rate of the mortgage debt on all our multi-family properties is 3.91% and the weighted average remaining term to maturity of such debt is approximately 8.2 years.

The following table sets forth scheduled principal (including amortization) mortgage payments due for all of our multi-family properties as of December 31, 2021 (dollars in thousands):

YEAR	Principal Payments Due for Consolidated Properties	Principal Payments Due for Unconsolidated Joint Ventures (1)	Total Principal Payments Due
2022	\$ 31,355	\$ 6,119	\$ 37,474
2023	1,679	42,887	44,566
2024	2,095	8,222	10,317
2025	17,467	9,577	27,044
2026	1,904	142,768	144,672
Thereafter	146,357	378,329	524,686
Total	\$ 200,857	\$ 587,902	\$ 788,759

(1) Does not give effect to the minority interest's share of such debt.

The mortgage debt associated with our multi-family properties, including the mortgage debt at our significant subsidiaries generally contain covenants, including covenants that require (i) compliance with debt service coverage ratios, (ii) the guarantor of the mortgage debt to maintain a certain level of net worth and liquid assets or (iii) in connection with the sale or other transfer of the property, the mortgage debt to be paid off (or assumed by the buyer with the consent of the mortgage lender). The mortgage debt is generally non-recourse to (i) the joint venture that owns the property, subject to standard carve-outs and (ii) to us and our subsidiary acquiring the equity interest in such joint venture. We, at the parent entity level (i.e., BRT Apartments Corp.), are the standard carve-out guarantor with respect to our wholly owned properties. (The term "standard carve-outs" refers to recourse items to an otherwise non-recourse mortgage and are customary to mortgage financing. While carve-outs vary from lender to lender and transaction to transaction, the carve-outs may include, among other things, a voluntary bankruptcy filing, environmental liabilities, the sale, financing or encumbrance of the property in violation of loan documents, damage to property as a result of intentional misconduct or gross negligence, failure to pay valid taxes and other claims which could create a lien on a property and the conversion of security deposits, insurance proceeds or condemnation awards). At December 31, 2021, the principal amount of mortgage debt outstanding with respect to the properties at which we are the carve-out guarantor is approximately \$189.3 million.

### Corporate Level Financing Arrangements

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Corporate Level Financing Arrangements" for information about our corporate level financing arrangements.

### Insurance

The multi-family properties are covered by all risk property insurance covering 100% of the replacement cost for each building and business interruption and rental loss insurance (covering up to twelve months of loss). On a case-by-case basis, based on an assessment of the likelihood of the risk, availability of insurance, cost of insurance and in accordance with standard market practice, we obtain earthquake, windstorm, flood, terrorism and boiler and machinery insurance. We carry comprehensive liability insurance and umbrella policies for each of our properties which provide no less than \$5 million of coverage per incident. We request certain extension of coverage, valuation clauses, and deductibles in accordance with standard market practice and availability.

Although we may carry insurance for potential losses associated with our multi-family properties, we may still incur losses due to uninsured risks, deductibles, co-payments or losses in excess of applicable insurance coverage and those losses may be material. In addition, a substantial amount of our insurance coverage is provided through blanket policies obtained by our joint venture partners or the property managers for such property. A consequence of obtaining insurance coverage in this manner is that losses on properties in which we have no ownership interest could reduce significantly or eliminate the coverage available on one or more properties in which we have an interest.

#### *Status of Former Development Projects*

Our former development projects, Canalside Sola - Columbia, SC ("Sola") and Bells Bluff-Nashville, TN ("Bells Bluff"; and together with Sola, "Sola/Bells"), commenced lease up activities during the quarters ended March 31, 2018 and March 31, 2019, respectively, and exited such status in January 2020 and September 2020, respectively. Sola is owned by an unconsolidated joint venture and Bells Bluff, as of August 18, 2021, is wholly-owned by us. At December 31, 2021, approximately 92.6% and 96.8%, respectively of Sola Station and Bells Bluff, respectively, had been leased and are now stabilized properties.

#### **Our Other Real Estate Assets and Activities**

In addition to our multi-family properties, we own other real estate assets with an aggregate carrying value of \$6.4 million at December 31, 2021, including undeveloped land, cooperative apartment units and a leasehold position at a commercial property. See notes 2 and 3 to our consolidated financial statements.

#### **Competition**

We compete to acquire multi-family properties with pension and investment funds, real estate developers, private real estate investors and other owners and operators of such properties. Competition to acquire such properties, among other things, is based on price and the ability to secure financing on a timely basis to complete the acquisition. To the extent that a potential joint venture partner introduces us to a multi-family acquisition opportunity, we compete with other sources of equity capital to participate in such joint venture based on the financial returns we are willing to offer such potential partner and the other terms and conditions of the joint venture arrangement. We also compete for tenants at our multi-family properties—such competition depends upon various factors, including alternative housing options available in the applicable sub-market, rent, amenities provided and proximity to employment and quality of life venues.

Many of our competitors possess greater financial and other resources than we possess.

#### **Government Regulation**

Multifamily properties are subject to various laws, ordinances and regulations, including regulations relating to common areas, such as swimming pools, activity centers, and recreational facilities. We believe that each of our properties has the necessary permits and approvals to operate its business.

#### *Americans with Disabilities Act*

Our properties must comply with applicable provisions of the Americans with Disabilities Act, which we refer to as the "ADA". Among other things, the ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. Our obligations under the ADA are ongoing and we will continue to assess our properties and make alterations as appropriate.

### *Fair Housing Act*

The Fair Housing Act, which we refer to as the "FHA", its state law counterparts and the regulations promulgated by the U.S. Department of Housing and Urban Development and various state agencies, prohibit discrimination in housing on the basis of race or color, national origin, religion, sex, familial status or handicap (disability) and, in some jurisdictions, financial capability or other bases. Our failure to comply with these laws could result in litigation, fines, penalties or other adverse claims, or could result in limitations or restrictions on our ability to operate, any of which could materially and adversely affect us. We believe that we operate our properties in substantial compliance with the FHA.

### *Environmental Matters*

We are subject to regulation at the federal, state and municipal levels and are exposed to potential liability should our properties or actions result in damage to the environment or to other persons or properties. These conditions include the presence or growth of mold, potential leakage of underground storage tanks, breakage or leaks from sewer lines and risks pertaining to waste handling. The potential costs of compliance, property damage restoration and other costs for which we could be liable or which could occur without regard to our fault or knowledge, are unknown and could potentially be material. There are no material claims made or pending against us with regard to environmental damage, nor are we aware of any potential environmental hazards related to any of our properties which could reasonably be expected to result in a material loss.

### **Human Capital Resources**

As of December 31, 2021, we had nine full time employees who devote substantially all of their business time to us. In addition, part-time personnel (including part time executive officers), perform certain executive, administrative, legal, accounting and clerical functions for us. The services of the part-time personnel as well as the provision to us of certain facilities and other resources are supplied pursuant to a shared services agreement between us and several affiliated entities, including Gould Investors L.P., the owner and operator of a diversified portfolio of real estate and other assets. The expenses for the shared personnel, facilities and resources is allocated to us and the other affiliated entities in accordance with the shared services agreement. The allocation is based on the estimated time devoted by such part-time personnel to the affairs of the parties to this agreement.

We also retain several related parties, among other things, to analyze and approve multi-family property acquisitions and dispositions, develop and maintain banking and financing relationships and provide investment advice and long-term planning (the "Services"). The aggregate fees to be paid in 2022, and paid in 2021 and 2020, for the Services, are \$1.5 million, \$1.4 million and \$1.4 million, respectively.

See note 11 to our consolidated financial statements for further information regarding the shared services agreement and the Services.

We provide a competitive benefits program to help meet the needs of our employees. In addition to salaries, the program includes annual cash bonuses, stock awards, pension plan contributions, healthcare and insurance benefits, health savings accounts, flexible spending accounts, paid-time off, family leave and an education benefit. Employees are offered flexibility to meet personal and family needs and regular opportunities to participate in professional development programs. Most of our employees have a long tenure with us, which we believe is indicative of the employee-friendly work environment we provide.

We maintain a work environment that is free from discrimination or harassment on the basis of color, race, sex, national origin, ethnicity, religion, age, disability, sexual orientation, gender identification or expression or any other status protected by applicable law, and our employees are compensated in a manner unrelated to their inclusion in any of the foregoing categories.

These workplace protections and compensation benefits are afforded to the part-time personnel providing services to us pursuant to the shared services agreement.

### **Executive Officers of Registrant**

Set forth below is a list of our executive officers whose terms will expire at our 2022 annual Board of Directors' meeting (the business history of officers who are also directors will be provided in our proxy statement to be filed not later than May 2, 2022):

Name	Age	Office
Israel Rosenzweig (1)	74	Chairman of the Board of Directors
Jeffrey A. Gould (2)	56	President, Chief Executive Officer and Director
Mitchell K. Gould (3)	49	Executive Vice President
Matthew J. Gould (2)	62	Senior Vice President and Director
David W. Kalish (4)	74	Senior Vice President - Finance
Mark H. Lundy	59	Senior Vice President and Counsel
Steven Rosenzweig (1)	46	Senior Vice President - Legal
George E. Zweier	58	Vice President and Chief Financial Officer
Isaac Kalish (4)	46	Vice President and Treasurer
Ryan Baltimore	30	Chief Operating Officer

(1) Steven Rosenzweig is the son of Israel Rosenzweig.

(2) Jeffrey A. Gould and Matthew J. Gould are sons of Fredric H. Gould, the former chairman of our board of directors and currently, a director.

(3) Mitchell K. Gould is a cousin of Fredric H. Gould.

(4) Isaac Kalish is the son of David W. Kalish.

Mitchell K. Gould has been employed by us since 1998, and has served as a Vice President since 1999 and Executive Vice President since 2007.

David W. Kalish, a certified public accountant, has been our Senior Vice President, Finance since 1998. Mr. Kalish was our Vice President and Chief Financial Officer from 1990 until 1998. He has been Chief Financial Officer of One Liberty Properties, Inc. and Georgetown Partners, LLC. since 1990. Georgetown Partners is the managing general partner of Gould Investors, a related party.

Mark H. Lundy has been our Counsel and/or General Counsel since 2007, Senior Vice President since 2005 and Vice President from 1993 to 2005. He served as a Vice President of One Liberty Properties from 2000 to 2006 and has been its Secretary and Senior Vice President since June 1993 and 2006, respectively. Since 2013, Mr. Lundy has served as President and Chief Operating Officer, and from 1990 through 2013 as a Vice President (including Senior Vice President), of Georgetown Partners, LLC. He is licensed to practice law in New York and Washington, D.C.

Steven Rosenzweig has been associated with us since 2013, served as a Vice President from 2015 through 2019 and as Senior Vice President - Legal since 2019. He is licensed to practice law in New York.

George E. Zweier, a certified public accountant, has served as our Chief Financial Officer and a Vice President since 1998.

Isaac Kalish, a certified public accountant, has been associated with us since 2004, served as Assistant Treasurer from 2007 through 2014 and as Vice President and Treasurer since 2013 and 2014, respectively. Mr. Kalish has served as Vice President and Assistant Treasurer of One Liberty Properties since 2013 and 2007, respectively, as Assistant Treasurer of Georgetown Partners, LLC from 2012 through 2013, and as its Treasurer since 2013.

Ryan Baltimore has been employed by us since 2013, served as Senior Vice President - Corporate Strategy and Finance from 2019 through January 2022, and as Chief Operating Officer thereafter.

## Item 1A. Risk Factors.

*Set forth below is a discussion of certain risks affecting our business. The categorization of risks set forth below is meant to help you better understand the risks facing our business and is not intended to limit your consideration of the possible effects of these risks to the listed categories. Any adverse effects arising from the realization of any of the risks discussed, including our financial condition and results of operation, may, and likely will, adversely affect many aspects of our business.*

### Risks Related to the COVID-19 Pandemic

***The continuation of the COVID-19 pandemic, the responses thereto and the economic consequences flowing therefrom, may adversely impact our business, income, cash flow, results of operations, financial condition, liquidity, prospects, ability to service our debt obligations, and our ability to pay cash dividends to our stockholders.***

We have faced, and may continue to face, challenges resulting from the COVID-19 pandemic. The economic consequences of the pandemic, among other things, have adversely affected and may continue to adversely affect the ability of some of our residents to pay rent (due to furloughs, layoffs and/or the expiration of, or reduction in, unemployment benefits). If economic conditions worsen for an extended period, a significant number of residents may be unable to pay rent, and our ability to pay dividends and/or the debt service on our mortgages may be adversely affected. The seesaw nature of the pandemic and its impact on the economy and financial markets present material risks and uncertainties. We are unable to predict the ultimate impact that the pandemic and the related dislocations will have on our business, financial condition, results of operation and cash flows, which will depend largely on various factors outside of our control.

## **Risks Related to our Business**

***Most of our multi-family properties are located in the Southeast and Texas which makes us susceptible to adverse developments in such markets.***

The operating performance of our multi-family properties is impacted by the economic, environmental and other conditions of the specific markets in which our properties are concentrated. At December 31, 2021: (i) our wholly-owned properties generated approximately 22%, 15%, 14% and 14% of our 2021 revenues from properties located in Georgia, Florida, South Carolina and Virginia, respectively, and (ii) properties owned by unconsolidated joint ventures generated 39%, 14%, 13% and 11% of our 2021 JV Rental and Other Revenues at properties located in Texas, South Carolina, Alabama and Mississippi, respectively. Accordingly, adverse developments in such markets, including economic developments, pandemics, or natural or man-made disasters, could adversely impact the operations of these properties and therefore our operating results and cash flow. The concentration of our properties in the Southeast United States and Texas exposes us to risks of adverse developments which are greater than the risks of owning properties with a more geographically diverse portfolio.

### ***Risks involved in conducting real estate activity through joint ventures.***

Most of our multi-family properties are owned through joint ventures with other persons or entities. Joint venture investments involve risks not otherwise present when acquiring real estate directly, including the following:

- our joint venture partners may have economic or business interests or objectives which are or become inconsistent with our business interests or objectives, including differing objectives relating to the sale or refinancing of properties held by the joint venture or the timing of the termination or liquidation of the joint venture;
- the more successful a joint venture project, the more likely that profits or distributions generated above a negotiated threshold will be allocated disproportionately in favor of our joint venture partner at a rate greater than that implied by our partner's equity interest in the venture;
- several of our joint venture partners have other competing real estate interests in the markets in which our properties are located that could influence such partners to take actions favoring their properties to the detriment of the jointly owned properties;
- our joint venture partners obtain blanket property casualty and business interruption insurance insuring properties we own jointly and other properties in which we have no ownership interest and as a result, claims or losses with respect to properties owned by our joint venture partners but in which we have no interest could significantly reduce or eliminate the insurance available to properties in which we have an interest;
- our joint venture partner might become bankrupt, insolvent or otherwise refuse or be unable to meet their obligations to us or the venture (including their obligation to make capital contributions or property distributions when due);
- we may incur liabilities as a result of action taken by our joint venture partner;
- our joint venture partner may not perform its property oversight responsibilities;
- our joint venture partner may be in a position to take action or withhold consent contrary to our instructions or requests, including actions that may make it more difficult to maintain our qualification as a REIT;
- our joint venture partner might engage in unlawful or fraudulent conduct with respect to our jointly owned properties or other properties in which they have an ownership interest;
- changes in personnel managing our joint venture partners have resulted in greater difficulty in working with the new personnel;

- our joint venture partner may trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partner's interest, at a time when we otherwise would not have initiated such a transaction;
- disputes between us and our joint venture partners may result in litigation or arbitration that would increase our expenses and divert management's attention from operating our business; and
- disagreements with our joint venture partners with respect to property management (including with respect to whether a property should be sold, refinanced, or improved) could result in an impasse resulting in the inability to operate the property effectively.

Joint venture partners have acted without our authorization (e.g., a partner modified a mortgage term without our consent). We also have had, and expect to continue to have, disagreements with joint venture partners over various issues including, among others, as to whether, and the extent to which, value add programs should be implemented at a property, whether a mortgage debt on a property should be refinanced and the terms and conditions of such refinancing, and, because our joint venture structure may incentivize our joint venture partner to sell the property sooner than we would otherwise desire, the timing and terms and conditions of property sales.

***We own 14 multi-family properties with three joint venture partners or their affiliates and may be adversely effected if we are unable to maintain a satisfactory working relationship with any one or more of these joint venture partners.***

Joint ventures that own six multi-family properties are owned with one joint venture partner or its affiliates, joint ventures that own four multi-family properties are owned with a second joint venture partner or its affiliates and joint ventures that own four multi-family properties are owned with a third joint venture partner or its affiliates. This concentration of ownership of properties with a limited number of joint venture partners exposes us to risks of adverse developments, and in particular, disputes or disagreements with such joint venture partners, which are greater than the risks of owning properties with a more diverse group of joint venture partners.

***The failure of third party property management companies to properly manage our properties or obtain sufficient insurance coverage could adversely impact our results of operations.***

We and our joint venture partners rely on property management companies to manage our properties. At December 31, 2021, approximately 20 properties are managed by a management company owned by or affiliated with a joint venture partner. These management companies are responsible for, among other things, leasing and marketing rental units, selecting tenants (including an evaluation of the creditworthiness of tenants), collecting rent, paying operating expenses, maintaining the property and obtaining insurance coverage for the properties they manage. If these property management companies do not perform their duties properly or we or our joint venture partners do not effectively supervise the activities of these managers, the occupancy rates and rental rates at the properties managed by such property managers may decline and the expenses at such properties may increase. At December 31, 2021, one property manager manages eight of our properties and a second property manager manages six of our properties, other property managers manage four or fewer properties. The loss of our property managers, and in particular, the managers that manage multiple properties, could result in a decrease in occupancy rates, rental rates or both or an increase in expenses. Further, property managers are also responsible for obtaining insurance coverage with respect to the properties they manage, which coverage is often obtained pursuant to blanket policies covering many properties in which we have no interest. Losses at properties managed by our property managers but in which we have no interest could reduce significantly the insurance coverage available at our properties managed by these property managers. It may be difficult to terminate a non-performing management company, particularly a management company owned or affiliated with a joint venture because such termination may require the approval of the mortgagee, our joint venture partner or both. If we are unable to terminate an underperforming property manager on a timely basis, our occupancy and rental rates may decrease and our expenses may increase.

***Increasing real estate taxes, utilities and insurance premiums may negatively impact operating results.***

The cost of real estate taxes, utilities and insuring our multi-family properties is a significant component of real estate operating expense. These expenses are subject to significant increases and fluctuations, which we may be unable to control. For example, our share of the insurance premiums at joint venture properties is determined by our joint venture partner at such properties; further, casualty losses at certain properties have resulted in significant increases in the insurance premiums we pay for insurance coverage at such properties. Real estate taxes may increase as our properties are reassessed by taxing authorities and as property tax rates change. Our real estate taxes have increased over time; further, they have fluctuated and may not be comparable year-over-year because of, among other things, (i) the timing difference as to when we accrue real estate taxes and the results of any tax appeals with respect to such accrued taxes and (ii) determinations, over which we have no control, by governmental authorities to increase tax rates, assessments or procedures. If the costs associated with real estate taxes, utilities and insurance premiums should rise, without being offset by a corresponding increase in revenues, our results of operations

could be negatively impacted, and our ability to make payments on our debt and to make distributions could be adversely affected.

***We may not be able to compete with competitors, many of which have greater financial and other resources than we possess.***

We compete with many third parties engaged in the ownership and operation of multi-family properties, including other REITs, specialty finance companies, public and private investors, investment and pension funds and other entities. Many of these competitors have substantially greater financial and other resources than we do. Larger and more established competitors enjoy significant competitive advantages that result from, among other things, enhanced operating efficiencies and more extensive networks providing greater and more favorable access to capital, financing and tax credit allocations and more favorable acquisition opportunities.

***Our operating results are significantly influenced by demand for multi-family properties generally, and a decrease in such demand will likely have a greater adverse effect on our revenues than if we owned a more diversified real estate portfolio.***

Our current portfolio is focused on multi-family properties, and we expect that going forward we will continue to focus on the acquisition, disposition and operation of such properties. As a result, we are subject to risks inherent in investments in a single industry, and a decrease in the demand for multi-family properties would likely have a greater adverse effect on our rental revenues than if we owned a more diversified real estate portfolio.

***Our value-add activities involve greater risks than more conservative investment strategies.***

In many cases, we seek to acquire properties at which we believe our investment of additional capital to enhance such properties will result in increased rental rates and higher resale value. These efforts involve greater risks than more conservative investment strategies. The risks related to these value-add activities include risks related to delays in the repositioning or improvement process, higher than expected capital improvement costs, the additional capital needed to execute our value-add program, the possibility that these value-add activities may not result in the anticipated higher rents and occupancy rates and the loss of revenue while these properties or units are undergoing capital improvements. We may also be unable to complete the improvements of these properties and may be forced to hold or sell these properties at a loss. For these and other reasons, we cannot assure you that we will realize growth in the value of our value-add multifamily properties, and as a result, our ability to make distributions to our stockholders could be adversely affected.

***Increased competition and increased affordability of residential homes could limit our ability to retain our tenants or increase or maintain rents.***

Our multi-family properties compete with numerous housing alternatives, including other multi-family and single-family rental homes, as well as owner occupied single and multi-family homes. Our ability to retain tenants and increase or maintain rents or occupancy levels could be adversely affected by the alternative housing in a particular area and, due to declining housing prices, mortgage interest rates and government programs to promote home ownership, the increasing affordability of owner occupied single and multi-family homes.

***Our operating results and assets may be negatively affected if our insurance coverage is insufficient to compensate us for casualty events occurring at our properties.***

Our multi-family properties, including the properties owned by the joint ventures in which we are members, carry all risk property insurance covering the property and improvements thereto for the cost of replacement in the event of a casualty. Though we maintain insurance coverage, such coverage may be insufficient to compensate us for losses sustained as a result of a casualty because, among other things:

- the amount of insurance coverage maintained for any property may be insufficient to pay the full replacement cost following a casualty event;
- the rent loss coverage under a policy may not extend for the full period of time that a tenant or tenants may be entitled to a rent abatement that is a result of, or that may be required to complete restoration following, a casualty event;
- certain types of losses, such as those arising from earthquakes, floods, hurricanes and terrorist attacks, may be uninsurable or may not be economically feasible to insure;
- changes in zoning, building codes and ordinances, environmental considerations and other factors may make it impossible or impracticable, to use insurance proceeds to replace damaged or destroyed improvements at a property;

- insurance coverage is part of blanket insurance policies in which losses on properties in which we have no ownership interest could reduce significantly or eliminate the coverage available on our properties; and
- the deductibles applicable to one or more buildings at a property may be greater than the losses sustained at such buildings.

If our insurance coverage is insufficient to cover losses sustained as a result of one or more casualty events, our operating results and the value of our portfolio will be adversely affected.

***Development, redevelopment and construction risks could affect our operating results.***

We may continue to develop and redevelop multi-family properties. These activities may be exposed to the following risks:

- we have limited experience in development projects and will be dependent on our joint venture partner or the sponsor of the project to oversee the project's implementation;
- we may abandon opportunities that we have already begun to explore for a number of reasons, including changes in local market conditions or increases in construction or financing costs, and, as a result, we may fail to recover expenses already incurred in exploring those opportunities;
- occupancy rates and rents at development properties may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions beyond our control and the development by competitors of competing properties;
- we may be unable to obtain, or experience delays in obtaining, necessary zoning, occupancy, or other required governmental or third party permits and authorizations, which could result in increased costs or the delay or abandonment of development opportunities;
- we may incur costs that exceed our original estimates due to increased material, labor or other costs;
- we may be unable to complete construction and lease-up of a development project on schedule, resulting in increased construction and financing costs and a decrease in expected rental revenues;
- we may be unable to obtain financing with favorable terms, or at all, for the proposed development of a property, which may cause us to delay or abandon a development opportunity; and
- we may be unable to refinance with favorable terms, or at all, any construction or other financing obtained for a development property, which may cause us to sell the property on less favorable terms or surrender the property to the lender.

If we are unable to address effectively these and other risks associated with development projects, our financial condition and results of operations may be adversely effected.

**Risks Related to Our Financing Activities, Indebtedness and Capital Resources**

***If we are unable to refinance \$64.7 million in balloon payments on mortgage debt maturing through 2024, we may be forced to sell properties on disadvantageous terms.***

As of December 31, 2021, we have balloon payments of \$64.7 million on mortgage debt (including \$35.3 million of mortgage debt on properties owned by unconsolidated joint ventures) due through 2024 (including \$29.4 million and \$35.3 million due in 2022 and 2023, respectively). The weighted average interest rate of this debt is 4.05%. Our operating cash flow and funds available under our credit facility will be insufficient to discharge this debt when due. Accordingly, we may seek to refinance this debt or sell the related property prior to the maturity of such debt. Increases in interest rates, or reduced access to credit markets due, among other things, to more stringent lending requirements or our high level of leverage, may make it difficult for us to refinance this mortgage debt on terms as favorable as the current debt. If we are unsuccessful in refinancing such debt, or if the terms of the refinanced debt are less favorable than the current debt, we may be forced to dispose of properties on disadvantageous terms or convey properties secured by such mortgages to the mortgagees, which would reduce our income and impair the value of our portfolio.

***Our failure to comply with our obligations under our debt instruments may reduce our stockholders' equity, and adversely affect our net income and ability to pay dividends.***

Several of our debt instruments include covenants that require us to maintain certain financial ratios, including various coverage ratios, and comply with other requirements. Failure to meet interest and other payment obligations under our debt instruments or a breach by us of the covenants to comply with certain financial ratios would place us in non-compliance under such instruments. If the lender called a default and required us to repay the full amount outstanding under such instrument, we might be required to rapidly dispose of our properties, including properties securing such debt instruments, which could have an adverse impact on the amounts we receive on such disposition. From time to time we have failed to comply with certain debt covenants. If we are unable to satisfy the covenants of our debt obligations, the lender could exercise remedies available to it under the applicable debt instrument and as otherwise provided by law, including the possible appointment of a receiver to manage the property, application of deposits or reserves maintained under the debt instrument for payment of the debt, or foreclose and/or cause the forced sale of the property or asset securing such debt. A foreclosure or other forced disposition of our assets could result in the disposition of same at below the carrying value of such asset. The disposition of our properties or assets at below our carrying value may adversely affect our net income, reduce our stockholders' equity and adversely affect our ability to pay dividends.

***We may not have sufficient funds to make required or desired capital improvements.***

Our multi-family properties face competition from newer and updated properties. At December 31, 2021 the weighted average age (based on the number of units) of our multi-family properties is approximately 18 years. To remain competitive and increase occupancy at these properties and/or make them attractive to potential tenants or purchasers, we may have to make significant capital improvements and/or incur deferred maintenance costs with respect to these properties. At December 31, 2021, we have \$6.6 million of restricted cash that can only be used for improvements at specific properties. The cost of future improvements and deferred maintenance is uncertain and the amounts earmarked for specific properties may be insufficient to effectuate needed improvements. Our results of operations and financial conditions may be adversely affected if we are required to expend significant funds (other than funds earmarked for such purposes) to repair or improve our properties.

***Our acquisition, development and value-add activities are limited by the funds available to us.***

Our ability to acquire additional multi-family properties, develop new properties and improve the properties in our portfolio is limited by the funds available to us and our ability to obtain, on acceptable terms, equity contributions from joint venture partners and mortgage debt from lenders. At December 31, 2021, we had \$32.3 million of cash and cash equivalents and \$6.6 million designated as restricted cash for improvements at 13 multi-family properties. Our multi-family acquisition and value-add activities are constrained by funds available to us which will limit growth in our revenues and operating results.

***If we are required to make payments under any "bad boy" carve out guarantees that we have provided in connection with certain mortgages and related loans, our business and financial results could be materially adversely affected.***

In obtaining certain non-recourse loans, we have provided our lenders with standard carve out guarantees. These guarantees are only applicable if and when the borrower directly, or indirectly through an agreement with an affiliate, joint venture partner or other third party, voluntarily files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper (commonly referred to as "bad boy" guarantees). Although we believe that "bad boy" carve out guarantees are not guarantees of payment in the event of foreclosure or other actions of the foreclosing lender that are beyond the borrower's control, some lenders in the real estate industry have recently sought to make claims for payment under such guarantees. In the event such a claim were made against us under a "bad boy" carve out guarantee, following foreclosure on mortgages or related loans, and such claim were successful, our business and financial results could be materially adversely affected.

***We could be negatively impacted by changes in our relationship with Fannie Mae or Freddie Mac, changes in the condition of Fannie Mae or Freddie Mac and by changes in government support for multi-family housing.***

Fannie Mae and Freddie Mac have been a major source of financing for multi-family real estate in the United States and we have used loan programs sponsored by these agencies to finance most of our acquisitions of multi-family properties. There have been ongoing discussion by the government and other interested parties with regard to the long term structure and viability of Fannie Mae and Freddie Mac, which could result in adjustments to guidelines for their loan products. Should these agencies have their mandates changed or reduced, lose key personnel, be disbanded or reorganized by the government or otherwise discontinue providing liquidity for the multi-family sector, our ability to obtain financing through loan programs sponsored by the agencies could be negatively impacted. In addition, changes in our relationships with Fannie Mae and Freddie Mac, and the lenders that participate in these loan programs, with respect to our existing mortgage financing could impact our ability to

obtain comparable financing for new acquisitions or refinancing for our existing multi-family real estate investments. Should our access to financing provided through Fannie Mae and Freddie Mac loan programs be reduced or impaired, it would significantly reduce our access to debt capital and/or increase borrowing costs and could significantly limit our ability to acquire properties on acceptable terms and reduce the values to be realized upon property sales.

***The phasing out of LIBOR may adversely affect our cash flow and financial results.***

Excluding the variable rate mortgage debt associated with a property sold in February 2022, at December 31, 2021 we had \$37.4 million in variable rate debt in the form of junior subordinated notes maturing in 2036 and bearing an interest rate which resets quarterly and is based on three-month LIBOR plus 200 basis points (the “LIBOR Debt”). Our exposure to fluctuating interest payments on the LIBOR Debt is unhedged. The authority regulating LIBOR announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after June 2023 and it is possible that LIBOR will become unavailable at an earlier date. Although the LIBOR Debt provide for alternative methods of calculating the interest rate when LIBOR becomes unavailable, such alternative rates may be unavailable in which case we may have to negotiate a secondary alternative rate with the counterparties to the LIBOR Debt – we can provide no assurance that we and our counterparties will be able to agree to a secondary alternative rate. Our cash flow and financial results may be adversely affected if we are unable to arrange a mutually satisfactory alternative rate to LIBOR for our LIBOR Debt. Further, the absence of LIBOR or a generally acceptable alternative thereto may make it more challenging to hedge our interest rate exposure on variable rate debt that we may incur in the future which in turn may make it more difficult to acquire properties.

***We depend on our subsidiaries for cash flow and will be adversely impacted if these subsidiaries are prohibited from distributing cash to us.***

We conduct, and intend to conduct, substantially all of our business operations through our subsidiaries including our unconsolidated subsidiaries. Accordingly, our only source of cash to fund our operations and pay our obligations are distributions from our subsidiaries. We cannot assure you that our subsidiaries will be able to, or be permitted to, make distributions to us that will enable us to fund our operations. Each of our subsidiaries is or will be a distinct legal entity and, under certain circumstances, legal and contractual restrictions (e.g., restrictions imposed pursuant to mortgage debt on a property), limit our ability to obtain cash from such entities. In addition, because we operate through our subsidiaries, your claims as stockholders will be structurally subordinated to all existing and future liabilities and obligations of our subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our subsidiaries will be able to satisfy your claims as stockholders only after all our and our subsidiaries' liabilities and obligations have been paid in full.

**Regulatory and Tax Risks**

***Changes to the U.S. federal income tax laws could have an adverse impact on our business and financial results.***

At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in the U.S. federal income tax laws, regulations or administrative interpretations.

***Liabilities relating to environmental matters may impact the value of our properties.***

We may be subject to environmental liabilities arising from the ownership of properties. Under various federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances.

The presence of hazardous substances on our properties may adversely affect our ability to finance or sell the property and we may incur substantial remediation costs. The discovery of material environmental liabilities attached to such properties could have a material adverse effect on our results of operations and financial condition.

***Compliance or failure to comply with the ADA or other safety regulations and requirements could result in substantial costs.***

The ADA generally requires that public buildings, including the public areas at our properties, be made accessible to disabled persons. Non-compliance could result in the imposition of fines by governmental authorities or the award of damages to private litigants. From time-to-time claims may be asserted against us with respect to some of our properties under the ADA.

If, under the ADA, we are required to make substantial alterations and capital expenditures in one or more of our properties, it could adversely affect our financial condition and results of operations.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

***We could be adversely affected if we or any of our subsidiaries are required to register as an investment company under the Investment Company Act of 1940 as amended (the "1940 Act").***

We conduct our operations so that neither we, nor any of our subsidiaries is required to register as investment companies under the 1940 Act. If we or any of our subsidiaries is required to register as an investment company but fail to do so, the unregistered entity would be prohibited from engaging in certain business, and criminal and civil actions could be brought against such entity. In addition, the contracts of such entity would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of the entity and liquidate its business.

### **Risks Associated with the Real Estate Industry and REITs.**

***We face numerous risks associated with the real estate industry that could adversely affect our results of operations through decreased revenues or increased costs.***

As a real estate company, we are subject to various changes in real estate conditions, and any negative trends in such real estate conditions may adversely affect our results of operations through decreased revenues or increased costs. These conditions include:

- changes in national, regional and local economic conditions, which may be negatively impacted by concerns about inflation, deflation, government deficits, unemployment rates and decreased consumer confidence particularly in markets in which we have a high concentration of properties;
- increases in interest rates, which could adversely affect our ability to obtain financing or to buy or sell properties on favorable terms or at all;
- the inability of tenants to pay rent;
- the existence and quality of the competition, such as the attractiveness of our properties as compared to our competitors' properties based on considerations such as convenience of location, rental rates, amenities and safety record;
- increased operating costs, including increased real property taxes, maintenance, insurance and utility costs (including increased prices for fossil fuels);
- weather conditions that may increase or decrease energy costs and other weather-related expenses;
- oversupply of apartments or single-family housing or a reduction in demand for real estate in the markets in which our properties are located;
- a favorable interest rate environment that may result in a significant number of residents or potential residents of our multi-family properties deciding to purchase homes instead of renting;
- changes in, or increased costs of compliance with, laws and/or governmental regulations, including those governing usage, zoning, the environment and taxes; and
- rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs.

Moreover, other factors may adversely affect our results of operations, including potential liability under environmental and other laws and other unforeseen events, many of which are discussed elsewhere in the following risk factors. Any or all of these factors could materially adversely affect our results of operations through decreased revenues or increased costs.

***Compliance with REIT requirements may hinder our ability to maximize profits.***

We must continually satisfy tests concerning, among other things, our sources of income, the amounts we distribute to our stockholders and the ownership of our common stock, to qualify as a REIT for Federal income tax purposes. We may also be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Accordingly, compliance with REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

To qualify as a REIT, we must also ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of our investment in securities cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of such issuer. In addition, no more than 5% of the value of our assets can consist of the securities of any one issuer, other than a qualified REIT security. If we fail to comply with these requirements, we must dispose of the portion of our assets in excess of such amounts within 30 days after the end of the calendar quarter in order to avoid losing our REIT status and suffering adverse tax consequences. This requirement could cause us to dispose of assets for consideration of less than their true value and could lead to a material adverse impact on our results of operations and financial condition.

***Because real estate investments are illiquid, we may not be able to reconfigure our portfolio on a timely basis.***

Real estate investments generally cannot be sold quickly. We may not be able to reconfigure our portfolio promptly in response to economic or other conditions. Further, even if we are able to sell properties, we may be unable to reinvest the proceeds of such sales in opportunities that are as favorable as the properties sold. Our inability to reconfigure our portfolio to profitably reinvest the proceeds of property sales promptly could adversely affect our financial condition and results of operations.

***We may incur impairment charges in 2022.***

We evaluate on a quarterly basis our real estate portfolio for indicators of impairment. Impairment charges reflect management's judgment of the probability and severity of the decline in the value of real estate assets we own. These charges and provisions may be required in the future as a result of factors beyond our control, including, among other things, changes in the economic environment and market conditions affecting the value of real property assets or natural or man-made disasters. In 2021, we incurred a \$520,000 impairment charge related to our investment in the joint venture that owned the OPOP Properties and in 2020 we incurred a \$3.6 million impairment charge on the South Daytona Property. If we are required to take additional impairment charges, our results of operations will be adversely impacted.

***If we do not continue to pay cash dividends, the price of our common stock may decline.***

REIT's are generally required to distribute annually at least 90% of their ordinary taxable income to maintain our REIT status under the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, which we refer to as the Code. Because we continue to generate operating losses primarily due to the impact of depreciation, we are not currently required, and may not be required in the future, to pay dividends to maintain our REIT status. Accordingly, we cannot assure you that we will pay dividends in the future. If we do not continue to pay cash dividends, the price of our common stock may decline.

**Risks Related to BRT's Organization, Structure and Ownership of its Stock**

***Our transactions with affiliated entities involve conflicts of interest.***

Entities affiliated with us and with certain of our executive officers provide services to us and on our behalf. These transactions may not be on terms as favorable as those that we would receive if the transactions were entered into with unaffiliated entities and persons. Among other things, we retain certain executive officers and others to provide the Services. The aggregate fees to be paid for the Services in 2022, and paid in 2021 and 2020, are \$1.5 million, \$1.4 million and \$1.4 million, respectively. We obtain certain executive, administrative, legal, accounting and clerical personnel and the use of certain facilities pursuant to the shared services agreement. During 2021 and 2020, we reimbursed Gould Investors \$641,000 and \$761,000, respectively, for the personnel and facilities provided pursuant to the shared services agreement. We also obtain certain insurance in conjunction with Gould Investors and reimbursed Gould Investors \$61,000 and \$39,000, in 2021 and 2020, respectively, for our share of the insurance cost.

***Senior management and other key personnel are critical to our business and our future success may depend on our ability to retain them.***

We depend on the services of Jeffrey A. Gould, our president and chief executive officer, and other members of senior management to carry out our business and investment strategies. Although Jeffrey A. Gould devotes substantially all of his business time to our affairs, he devotes a portion of his business time to entities affiliated with us. In addition to Jeffrey A. Gould, only three other executive officers, Mitchell Gould, our executive vice president, Ryan Baltimore, chief operating officer, and George Zweier, vice president and chief financial officer, devote all or substantially all of their business time to us. Many of our executives (i) also provide the Services (see "*Item 1. Business-Human Capital Resources*") and (ii) provide their services on a part-time basis pursuant to the shared services agreement. We rely on part-time executive officers to provide certain services to us, including legal and certain accounting services, since we do not employ full-time executive officers to handle all of these services. If the shared services agreement is terminated or the executives performing Services are unwilling to continue to do so, we will have to obtain such services from other sources or hire employees to perform them. We may not be able to replace these services or hire such employees in a timely manner or on terms, including cost and level of expertise, that are equivalent to or better than those we receive pursuant to the Services and the shared services agreement.

In addition, in the future we may need to attract and retain qualified senior management and other key personnel, both on a full-time and part-time basis. The loss of the services of any of our senior management or other key personnel or our inability to recruit and retain qualified personnel in the future, could impair our ability to carry out our business and our investment strategies.

We do not carry key man life insurance on members of our senior management.

***Certain provisions of our Articles of Incorporation, our Bylaws and Maryland law may inhibit a change in control that stockholders consider favorable and could also limit the market price of our common stock***

Certain provisions of our Articles of Incorporation (the "Charter"), our Bylaws and Maryland law may impede, or prevent, a third party from acquiring control of us without the approval of our board of directors. These provisions:

- provide for a staggered board of directors consisting of three classes, with one class of directors being elected each year and each class being elected for three-year terms and until their successors are duly elected and qualify;
- impose restrictions on ownership and transfer of our stock (such provisions being intended to, among other purposes, facilitate our compliance with certain requirements under the Internal Revenue Code of 1986, as amended (the "Code"), relating to our qualification as a REIT under the Code);
- prevent our stockholders from amending the Bylaws;
- limit who may call special meetings of stockholders;
- establish advance notice and informational requirements and time limitations on any director nomination or proposal that a stockholder wishes to make at a meeting of stockholders;
- provide that directors may be removed only for cause and only by the vote of at least two-thirds of all votes generally entitled to be cast in the election of directors;
- do not permit cumulative voting in the election of our board of directors, which would otherwise permit holders of less than a majority of outstanding shares to elect one or more directors; and
- authorize our board of directors, without stockholder approval, to amend the Charter to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares.

Certain provisions of the Maryland General Corporation Law (the "MGCL") may impede a third party from making a proposal to acquire us or inhibit a change of control under circumstances that otherwise could be in the best interest of holders of shares of our common stock, including:

- “business combination” provisions that, subject to certain exceptions and limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of BRT who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding voting stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose two super-majority stockholder voting requirements on these combinations;
- “control share” provisions that provide that, subject to certain exceptions, holders of “control shares” of BRT (defined as voting shares which, when aggregated with other shares controlled by the stockholder, entitle the holder to exercise voting power in the election of directors within one of three increasing ranges) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares,” subject to certain exceptions) have no voting rights with respect to the control shares except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares; and
- additionally, Title 3, Subtitle 8 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in the Charter or the Bylaws, to implement certain corporate governance provisions.

We have (1) exempted all business combinations between us and any other person, provided that each such business combination is first approved by our board of directors (including a majority of directors who are not affiliates or associates of such other person), from the Maryland Business Combination Act and (2) opted out of the Maryland Control Share Acquisition Act.

***Ownership of less than 6.0% of our outstanding shares or less than 6.0% of the aggregate outstanding shares of all classes and series of our stock could violate the restrictions on ownership and transfer in our Charter, which would result in the transfer of the shares owned or acquired in violation of such restrictions to a trust for the benefit of a charitable beneficiary and loss of the right to receive dividends and other distributions on, and the economic benefit of any appreciation of, such shares, and you may not have sufficient information to determine at any particular time whether an acquisition of our shares will result in the loss of the economic benefit of such shares.***

In order for us to qualify as a real estate investment trust under the Code, no more than 50% of the value of the outstanding shares of our stock may be owned, directly or indirectly or through application of certain attribution rules, by five or fewer “individuals” (as defined in the Code) at any time during the last half of a taxable year. To facilitate our qualification as a REIT under the Code, among other purposes, the Charter generally prohibits any person from actually or constructively owning more than 6.0%, in value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or more than 6.0% in value of the aggregate outstanding shares of all classes and series of our stock, which we refer to as the “ownership limits,” unless our board of directors exempts the person from such ownership limit. In addition, the Charter prohibits any person from beneficially or constructively owning shares of our stock that would result in more than 50% of the value of the outstanding shares of our stock to be beneficially owned by five or fewer individuals, regardless of whether such ownership is during the last half of any taxable year, which we refer to as the “Five or Fewer Limit.” Shares owned or acquired in violation of either of these restrictions will be transferred automatically to a trust for the benefit of a charitable beneficiary selected by us. The person that owned or acquired our stock in violation of the restrictions in the Charter will not be entitled to any dividends or distributions paid after the date of the transfer to the trust and, upon a sale of such shares by the trust, will generally be entitled to receive only the lesser of the market value on the date of the event that resulted in the transfer to the trust or the net proceeds of the sale by the trust to a person who could own the shares without violating the ownership limits.

Our board of directors has exempted Gould Investors, Fredric H. Gould, Matthew J. Gould and Jeffrey A. Gould from the ownership limits and has not established a limitation on ownership for such persons. Based on information supplied to us, as of December 31, 2021, Gould Investors owns approximately 16.1% of the outstanding shares of common stock and, by virtue of the applicable attribution rules under the Code, one individual currently beneficially owns 22.0% of outstanding shares of common stock. As a result, the acquisition by each of four other individuals of 6.0% of our outstanding common stock, when combined with the ownership of our common stock of Gould Investors, Fredric H. Gould, Matthew J. Gould and Jeffrey A. Gould, generally would not result in a violation of the Five or Fewer Limit.

However, there is no limitation on Gould Investors, Fredric H. Gould, Matthew J. Gould, Jeffrey A. Gould acquiring additional shares of our common stock or otherwise increasing their percentage of ownership of our common stock, meaning that the amount of our stock that other persons or entities may acquire without violating the Five or Fewer Limit could be reduced in the future and without notice. To the extent that Gould Investors, Fredric H. Gould, Matthew J. Gould and Jeffrey A. Gould, or their affiliates, acquire additional shares or our stock, or any other event occurs (including a repurchase of shares of our stock), that results in an individual beneficially or constructively owning 26.0% or more of the outstanding shares of our stock within the meaning of the Charter, the acquisition by four other individuals of 6.0% or less of our outstanding stock would violate the Five or Fewer Limit and, therefore, could cause the stock acquired by one or more of these other individuals to be transferred to the charitable trust, despite their compliance with the 6.0% ownership limits. If any of the foregoing occurs, compliance with the 6.0% ownership limit will not ensure that your ownership of our stock does not cause a violation of the Five or Fewer Limit or that your shares of our stock are not transferred to the charitable trust.

Gould Investors, Fredric H. Gould, Matthew J. Gould and Jeffrey A. Gould will be required by the Exchange Act and regulations promulgated thereunder to report, with certain exceptions, their acquisition of additional shares of our stock within two days of such acquisitions, and all holders of our stock will be required to file reports of their acquisition of beneficial ownership (as defined in the Exchange Act) of more than 5% of our outstanding stock. However, beneficial ownership for purposes of the reporting requirements under the Exchange Act is calculated differently than beneficial ownership for purposes of determining compliance with the Five or Fewer Limit. Further, to the extent that any one or more of Gould Investors, Fredric H. Gould, Matthew J. Gould or Jeffrey A. Gould acquires 30% or more of our outstanding stock, ownership of five percent or less of our outstanding stock could still result in a violation of the Five or Fewer Limit and, therefore, cause newly-acquired stock in our company to be transferred to the charitable trust. As a result, you may not have enough information currently available to you at any time to determine the percentage of ownership of our stock that you can acquire without violating the Five or Fewer Limit and losing the economic benefit of the ownership of such newly-acquired shares.

***The stock market is volatile, and fluctuations in our operating results, removal from various indices and other factors could cause our stock price to decline.***

The stock market has experienced, and may continue to experience, fluctuations that significantly impact the market prices of securities issued by many companies. Market fluctuations could adversely affect our stock price. These fluctuations have often been unrelated or disproportionate to the operating performance of particular companies. These broad market fluctuations, as well as general economic, systemic, political and market conditions, such as pandemics, recessions, loss of investor confidence, interest rate changes, government shutdowns, or trade wars, may negatively affect the market price of our common stock. Moreover, our operating results may fluctuate and vary from period to period due to the risk factors set forth herein.

Although our common stock is quoted on the New York Stock Exchange, the volume of trades on any given day has been limited historically, as a result of which stockholders might not have been able to sell or purchase our common stock at the volume, price or time desired. In June 2018, our common stock was added to the Russell 3000® Index. In the short term this may have favorably impacted the price, trading volume, and liquidity of our common stock, in part, because holders attempting to track the composition of that index may have been required to buy our common stock, which could cause a material increase in the price at which our common stock trades. If our common stock is removed from the Russell 3000® Index because it does not meet the criteria for continued inclusion in such index, index funds, institutional investors, or other holders attempting to track the composition of that index may be required to sell our common stock, which would adversely impact the price and frequency at which it trades.

## **General Business Risks**

***Breaches of information technology systems could materially harm our business and reputation.***

We, our joint venture partners and the property managers managing our properties, collect and retain, through information technology systems, financial, personal and other sensitive information provided by third parties, including tenants, vendors and employees. Such persons also rely on information technology systems for the collection and distribution of funds. Our information technology systems have been breached though, to our knowledge, none of our properties nor tenants have suffered any material damages therefrom. There can be no assurance that we, our joint venture partners or property managers will be able to prevent unauthorized access to sensitive information or the unauthorized distribution of funds. Any loss of this information or unauthorized distribution of funds as a result of a breach of information technology systems may result in loss of funds to which we are entitled, legal liability and costs (including damages and penalties), as well as damage to our reputation, that could materially and adversely affect our business and financial performance.

**Item 1B. Unresolved Staff Comments.**

Not applicable.

**Item 2. Properties.**

Our executive office is located at 60 Cutter Mill Road, Suite 303, Great Neck, New York. We believe that such facilities are satisfactory for our current and projected needs.

See "*Item 1—Business*" for additional information regarding our properties.

**Item 3. Legal Proceedings.**

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

**Item 4. Mine Safety Disclosures.**

Not applicable.

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

*Market Information; Holders*

Our shares of common stock are listed on the New York Stock Exchange, or the NYSE, under the symbol "BRT." As of March 7, 2022, there were approximately 748 holders of record of our common stock.

*Issuer Purchases of Equity Securities*

As of October 1, 2021, our Board of Directors authorized us to repurchase up to \$5.0 million of shares of our common stock through December 31, 2023. During the quarter ended December 31, 2021, we did not repurchase any shares of common stock.

**Item 6. [Reserved]**

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Overview

We are an internally managed real estate investment trust, also known as a REIT, that is focused on the ownership, operation and, to a lesser extent, development of multi-family properties. These properties may be wholly owned or owned by unconsolidated joint ventures in which we generally contributed 65% to 80% of the equity. At December 31, 2021, we: (i) wholly-own ten multi-family properties with an aggregate of 2,576 units and a carrying value of \$291.5 million, and (ii) have ownership interests, through unconsolidated entities, in 23 multi-family properties with an aggregate of 6,697 units, and the carrying value of our net equity investment therein is \$112.3 million. These 33 properties are located in eleven states; most of which are located in the Southeast United States and Texas.

### The Impact of the COVID-19 Pandemic; 2021 and Recent Developments.

The pandemic did not have a direct material adverse effect on our financial condition and results of operations; however, there were some direct negative effects (*e.g.*, properties adjacent to colleges and universities experienced lower occupancy levels and rental income due to remote learning) and indirect negative effects (*e.g.*, we were more conservative in raising rents, pursuing acquisitions and in implementing our value add program, all of which, if more aggressively pursued, may have allowed us to generate additional income). The impact of the pandemic on our business, financial condition, liquidity, results of operations and prospects will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

During 2021:

#### Purchases

- we purchased the interests of our joint venture partners in ventures that own three multi-family properties (*i.e.*, Bells Bluff, Crestmont at Thornblade, and Crossings at Bellevue) for an aggregate purchase price of \$45.6 million. As a result, these properties are wholly-owned and the accounts and results of operations of these properties are included directly in our consolidated financial statements as of the applicable date of purchase (the "Consolidating Transactions"). In connection with these transactions, we assumed mortgage debt of \$26.4 million at Crestmont at Thornblade and obtained replacement mortgage debt of \$89.7 million to replace the existing debt of \$61.8 million on the other two properties. In 2021, these three properties contributed in the aggregate, \$4.4 million in rental revenues, \$2.0 million in operating expenses, \$1.0 million in interest expense and \$2.2 million in depreciation, respectively, in the aggregate in 2021. In 2022, we anticipate that these three properties will generate approximately \$17.0 million in rental revenues, \$7.4 million of real estate operating expense, \$4.0 million in interest expense and \$8.1 million in depreciation.
- we purchased an additional 14.7% interest in Civic Center I and Civic Center II - Southaven, MS from our joint venture partner for \$6.0 million. After giving effect to this purchase, we own 74.7% of the venture that owns these properties.

#### Sales

- we sold Kendall Manor - Houston, TX, a wholly-owned property ("Kendall Manor"), to an unrelated third party for \$24.5 million and recognized a gain on the sale of this property of \$7.3 million. In connection with the sale, we paid off the \$14.3 million of mortgage debt maturing in August 2021 and bearing an annual interest rate of 4.29%. During (a) 2021 (through the May 26 sale date), this property contributed \$1.2 million of rental income, \$830,000 thousand million of real estate operating expenses, \$272,000 of interest expense and \$123,000 of depreciation, and (b) 2020, this property contributed \$2.9 million of rental income, \$1.9 million of real estate operating expenses, \$675,000 of interest expense and \$848,000 of depreciation.
- we sold our interests in the unconsolidated joint ventures that owned (a) Anatole Apartments - Daytona Beach, FL ("Anatole Apartments"), and (b) Tower at OPOP and Lofts at OPOP - St Louis, MO (collectively, the "OPOP Properties"), to our joint venture partners, for \$10.5 million and recognized a gain on sales of our partnership interests of \$2.6 million, after giving effect to the impairment charge of \$520,000 taken in connection with the sale of OPOP Properties. We refer to the sale of the interests in Anatole Apartments and OPOP Properties as the "Anatole/OPOP Sales". In 2021 and 2020, these properties contributed \$1.0 million and \$1.1 million, respectively, in equity in loss of unconsolidated joint ventures.

- the unconsolidated joint venture which owned The Avenue Apartments, Ocoee, FL, and Parc at 980, Lawrenceville, GA, sold these properties (collectively, the "Avenue/Parc Sale") for an aggregate of \$225.9 million and recognized an aggregate gain on the sale of these properties of \$84.0 million. As a result of these sales, we recorded an aggregate gain of \$35.0 million. The mortgage debt secured by these properties and discharged in connection with the sales was in aggregate principal amount of \$107.5 million, had weighted average interest rate of 3.94% and a weighted average remaining term to maturity of 6.6 years. In connection with these sales, the joint venture recognized an aggregate loss on the extinguishment of debt of \$9.4 million, of which our share was \$4.6 million. During 2021 (through the applicable sales dates) and 2020, these properties contributed \$60,000 and \$(54,000), respectively, of equity in earnings (loss) of unconsolidated joint ventures.
- we sold a cooperative apartment unit located in New York, NY for a sale price of \$545,000 and recognized a gain of \$414,000

#### Financing:Other

- we amended and restated our credit facility, among other things, to increase the amount available to be borrowed to \$35 million, reduce the interest rate to 25 basis points over the prime rate with a floor of 3.5%, and extend the facility through November 2024.
- our consolidated subsidiaries paid-off three first mortgages and three supplemental mortgages with an aggregate balance of \$31.9 million. These mortgages had a weighted average interest rate of 4.53% and a remaining term to maturity of nine months. In connection with the payoffs, we incurred a loss on the extinguishment of debt of \$822,000.
- we raised approximately \$9.6 million of equity from the sale of 529,126 shares of our common stock.
- we effected, in September 2021, a 4.5% per share increase in our cash dividend, and declared dividends of an aggregate of \$0.90 per share in 2021.
- we maintained an average occupancy rate of 97.1% at our wholly owned properties and 94.2% at our joint venture properties.

Subsequent to December 31, 2021,

- we sold a vacant land parcel located in Daytona, Florida (the "South Daytona Property") for a sales price of \$4.7 million, and after closing costs recognized a nominal gain. In 2020, we recognized an impairment charge of \$3.6 million in connection with this property.
- we acquired for \$ 3.5 million a 17.45% interest in a planned 240-unit development property located in John's Island SC. We anticipate that this development will be completed in the fourth quarter of 2023.
- the unconsolidated joint venture in which we have a 65% equity interest sold The Veranda at Shavano, a 288-unit multi-family property in San Antonio, Texas, for a sales price of \$53.8 million. We estimate that the gain on the sale of this property will be approximately \$23.7 million and that our share of the gain, which will be recognized in the first quarter of 2022, will be approximately \$12.7 million. This property was secured by \$25.1 million of floating rate mortgage debt with 1.4 years of remaining term to maturity which was repaid in connection with the sale. The venture also terminated an interest rate swap and paid a termination fee of \$188,000, of which our share will be approximately \$122,000. During the year ended December 31, 2021, this property generated \$526,000 of equity in earnings from unconsolidated joint ventures, which includes a \$616,000 gain from insurance proceeds. During the year ended December 31, 2020, this property generated \$322,000 of equity in loss from unconsolidated joint ventures.
- we used our available cash to pay-off \$15.5 million of 4.29% mortgage debt of Avalon Apartments - Pensacola, FL, a wholly owned property, that was scheduled to mature in March 2022.
- we raised \$2.2 million of equity from the sale of 100,000 shares of our common stock pursuant to our at-the-market offering program through March 1, 2022.
- we announced that we entered into separate agreements to acquire (the "2022 Partner Buyouts") the remaining interests of five of our joint venture partners at five multi-family properties with an aggregate of 1,064 units. The aggregate purchase price for these interests is approximately \$30.4 million and in connection with such purchases, we will assume mortgage debt that as of December 31, 2021, was in aggregate principal amount of \$97.7 million. (Such

mortgage debt is currently reflected in Item 7. “*Management's Discussion and Analysis of Financial Condition and Results of Operations- Disclosure of Known Material Contractual Obligations*”). The completion of these purchases is subject to customary closing conditions (including with respect to four of the purchases, the approval of the holder of the applicable mortgage debt), and no purchase is contingent upon the completion of any other purchase. The weighted average remaining term to maturity of the mortgage debt to be assumed is 7.1 years and the weighted average interest rate thereon is 4.17%. This mortgage debt will be non-recourse to us at the BRT parent level and to our subsidiary that owns the applicable property, subject to customary carve-out guarantees and indemnities at the parent and property subsidiary levels. During 2021, these properties contributed an aggregate of \$295,000 of equity in loss of unconsolidated joint ventures. We anticipate using our available cash to fund these purchases and that these transactions will be completed over the next several months. After a purchase is completed, such property will be wholly owned and the accounts and operations of such property will be included directly, from the date of such purchase, in our consolidated balance sheets and consolidated statement of operations, respectively. As a result, we anticipate that our revenues, total expenses, assets and liabilities, will increase. We can provide no assurance that any of these transactions will be completed or that if completed, will be accretive.

## 2022 Acquisition Plan

Given the highly competitive environment to acquire multi-family properties, and our belief that in the current environment buying properties from third parties will not generate an appropriate risk adjusted return for our stockholders, we are emphasizing the purchase of the interests of our joint venture partners (“Partner Buyouts”). Although we believe that the blended rate of return we anticipate generating from the Partner Buyouts will be superior to that available from other acquisition opportunities currently available in the market, the blended rate of return on our investment generated from Partner Buyouts will not be as favorable as those we generated in the past from such properties prior to such Partner Buyouts. We also anticipate making a greater effort to buy properties directly (*i.e.*, without joint venture partners) as direct purchases may be attractive if we do not have to pay a promote. See “*Item 1. Business-Our Acquisition Approach-Current Acquisition Approach*”.

## Results of Operations

### *Comparison of Years Ended December 31, 2021 and 2020*

The term "same store properties" refers to seven multi-family properties that were owned for all of 2021 and 2020. The term "unconsolidated same store properties" refers to 21 properties that were owned for all of 2021 and 2020, other than the Sola Station property that was in lease-up.

### Revenues

The following table compares our revenues for the years indicated:

(Dollars in thousands):	2021	2020	Increase (Decrease)	% Change
Rental and other revenue from real estate properties	\$ 32,041	\$ 27,451	\$ 4,590	16.7 %
Other income	16	651	(635)	(97.5)%
Total revenues	<u>\$ 32,057</u>	<u>\$ 28,102</u>	<u>\$ 3,955</u>	14.1 %

*Rental and other revenue from real estate properties.* The components of the increase include:

- \$4.4 million due to the inclusion of the revenues from the Consolidating Transactions;
- \$1.8 million from same store properties, of which approximately \$909,000 is due to higher rental rates, \$511,000 from increased occupancy and \$361,000 is due to an increase in ancillary income (*e.g.*, utility reimbursements and late fees)- approximately \$592,000 of the \$1.8 million increase is due to increased rents and occupancy at Avalon Apartments - Pensacola, Florida.

The increase was offset by the inclusion, in 2020, of \$1.7 million of rental and other revenue from the Kendall Property.

*Other income.* The decrease is due to reduced interest income resulting from the sale of a loan on September 30, 2020.

## Expenses

The following table compares our expenses for the periods indicated:

(Dollars in thousands)	2021	2020	Increase (Decrease)	% Change
Real estate operating expenses	\$ 14,202	\$ 12,377	\$ 1,825	14.7 %
Interest expense	6,757	7,100	(343)	(4.8)%
General and administrative	12,621	11,701	920	7.9 %
Impairment charge	520	3,642	(3,122)	(85.7)%
Depreciation	8,025	6,742	1,283	19.0 %
Total expenses	<u>\$ 42,125</u>	<u>\$ 41,562</u>	<u>\$ 563</u>	1.4 %

*Real estate operating expenses.* The components of the increase include:

- \$2.0 million from the inclusion of the expenses from the Consolidating Transactions; and
- \$765,000 from same store properties, including a \$303,000 increase in real estate taxes at Avondale Station - Decatur, GA, due to an increase in the assessment of the property's value and a \$164,000 increase in insurance premiums across the portfolio.

The increase was offset by \$1.0 million of expenses related to the Kendall Manor sale.

*Interest expense.* The decrease is due to a :

- \$693,000 decrease from same store properties due to the payoff of mortgage debt;
- \$404,000 decrease from the Kendall Manor sale; and
- \$270,000 decrease primarily due to the 73 basis point decrease in the average interest rate on our floating rate junior subordinated debt resulting from the decline in the three-month LIBOR rate. See *Item 7A. "Quantitative and Qualitative Disclosures About Market Risk"* for information regarding the impact of changes in the LIBOR rate.

This was offset by an \$1.0 million increase in interest expense from the Consolidating Transactions.

*General and administrative.*

The increase is due to:

- a \$1.2 million increase in compensation expense, including \$478,000 of increased non-cash amortization expense due primarily to the RSUs granted in 2021, \$323,000 due to the non-cash amortization of restricted stock expense (primarily related to the higher fair value of the shares granted in January 2021 in comparison to the shares issued in 2016 and that vested in 2021), and \$318,000 due to the non-cash amortization of restricted stock expense that was issued in June 2021; and
- a \$469,000 increase in professional expenses incurred during the 2021 period, including \$291,000 related to the follow-on-equity offering terminated in May 2021 and \$178,000 in general legal and accounting fees and consulting fees related to compensation and insurance matters. These increases were offset by the inclusion, in the corresponding period of 2020, of (i) \$712,000 of professional fees and expenses related to the restatement of our financial statements in 2020 and (ii) \$120,000 in costs related to our shared services agreement, primarily related to costs related to the restatement of our financial statements in 2020.

*Impairment charge*

In 2021, we recorded an impairment charge of \$520,000 representing the excess of the book value of our investment in OPOP Properties over the expected sale price of the investment. OPOP Properties was sold in November 2021. In 2020, we recorded a \$3.6 million impairment charge with respect to the South Daytona Property. This property was sold in February 2022.

*Depreciation*

The increase is due the inclusion of \$2.2 million of depreciation from the Consolidating Transactions.

The increase was offset by:

- a \$726,000 decline due to the Kendall Manor sale; and

- the inclusion in 2020 of a \$233,000 adjustment (*i.e.*, to reflect an increase in the asset value) to such expense in connection with our purchase of our joint venture partner's interest in the ventures that owns Kilburn Crossing and Parkway Grande.

*Other revenue and expense items*

See "*Unconsolidated Joint Ventures - Results of Operations*" below for a discussion of Equity in loss on unconsolidated joint ventures and Equity in earnings from sale of unconsolidated joint venture properties

*Gain on sale of real estate*

In 2021, we recognized gains of \$7.3 million from the Kendall Sale and \$414,000 from the sale of a cooperative apartment in New York, NY. There was no comparable gain in 2020.

*Gain on sale of partnership interest*

In 2021, we recognized gains of \$2.2 million in connection with the sale of our interest in the joint venture which owns Anatole Apartments, and \$388,000 from the sale of our interest in the joint venture which owns the OPOP Properties. The gain on the sale of OPOP Properties is net of an impairment charge of \$520,000 taken in 2021 to reduce the carrying value of the investment to its fair value. There was no comparable gain in 2020.

*Loss on extinguishment of debt.*

In 2021, we incurred \$1.6 million of prepayment charges and deferred loan fee write-offs on the payoff of three first mortgage loans and three supplemental loans with an aggregate outstanding principal balance of \$37.9 million and the refinance of a mortgage loan in connection with the purchase of the interests of our joint venture partners in Crestmont at Thornblade. There was no comparable loss in 2020.

## Unconsolidated Joint Ventures - Results of Operations.

### *Equity in (loss) earnings of unconsolidated joint ventures*

The table below reflects the condensed income statements of our unconsolidated properties included in note 7 of our consolidated financial statements. In accordance with US generally accepted accounting principles, each of the line items in the chart below is presented as if these properties are wholly owned by us, although as reflected under " *Item 1. Business - Our Multi-Family Properties*", our equity interests in these properties range from 32% to 90% (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	% change
	2021	2020		
Rental revenues from unconsolidated joint ventures	\$ 121,906	\$ 127,058	\$ (5,152)	(4.1)%
Real estate operating expense from unconsolidated joint ventures	56,507	60,326	(3,819)	(6.3)%
Interest expense from unconsolidated joint ventures	30,964	34,918	(3,954)	(11.3)%
Depreciation from unconsolidated joint ventures	35,636	41,657	(6,021)	(14.5)%
Total expenses from unconsolidated joint ventures	123,107	136,901	(13,794)	(10.1)%
Total revenues less total expenses from unconsolidated joint ventures	(1,201)	(9,843)	8,642	(87.8)%
Other equity in earnings from unconsolidated joint ventures	54	117	(63)	(53.8)%
Impairment of assets	(2,813)	—	(2,813)	N/A
Insurance recoveries from unconsolidated joint ventures	2,813	—	2,813	N/A
Gain on sale of real estate from unconsolidated joint ventures	83,984	—	83,984	N/A
Gain on insurance proceeds from unconsolidated joint ventures	2,179	765	1,414	184.8 %
Loss on extinguishment of debt from unconsolidated joint ventures	(9,401)	—	(9,401)	N/A
Net (loss) income	<u>\$ 75,615</u>	<u>\$ (8,961)</u>	<u>\$ 84,576</u>	
Equity in earnings (loss) and gain on sale of real estate of unconsolidated joint ventures	<u>\$ 30,774</u>	<u>\$ (6,024)</u>		

### *Rental revenue from unconsolidated joint ventures*

The decrease is due primarily to:

- \$7.0 million from the Avenue/Parc Sale;
- \$2.5 million from the Anatole/OPOP Sale; and
- \$2.5 million due to the Consolidating Transactions.

The decrease was offset by:

- a \$5.7 million increase in rental revenue from unconsolidated same store properties - \$3.3 million from an increase in rental rates, \$1.4 million from increased occupancy and \$1.0 million due to an increase in ancillary fees (*e.g.*, late fees, waiver fees and tech/cable package) - approximately \$967,000 of the increase is due to Mercer Crossing - Farmers Branch, TX, \$542,000 is due to Chatham Court and Reflections - Dallas, TX and \$480,000 is due to Cinco Ranch-Katy, TX;
- \$605,000 from the inclusion, for all of 2021, a property (*i.e.*, Sola Station- Columbia, SC) that was in lease-up for a portion of 2020, and
- \$594,000 from the inclusion, for all of 2021, of Abbots Run-Wilmington, NC ("Abbots Run"), that was only owned for a portion of 2020.

*Real estate operating expenses from unconsolidated joint ventures*

The components of the decrease include:

- \$3.3 million due to the Avenue/Parc Sale;
- \$1.4 million from the Consolidating Transactions; and
- \$1.3 million from the Anatole/OPOP Sales.

The decrease was offset by:

- a \$1.8 million increase from unconsolidated same store properties, including increases of \$579,000 in repairs, maintenance and replacement costs, \$576,000 in utility costs, \$352,000 in payroll and leasing commissions, and \$315,000 in insurance costs, and
- \$409,000 from the inclusion, for all of 2021, of Abbotts Run.

*Interest expense from unconsolidated joint ventures.* The components of the decrease are \$1.9 million due to the Avenue/Parc Sale, \$1.2 million due to the Consolidating Transactions, \$616,000 from the Anatole/OPOP Sales and the balance is due primarily to reduced principal balances on mortgages at unconsolidated same store properties resulting from amortization.

*Depreciation from unconsolidated joint ventures.* The components of the decrease are \$2.8 million due to the Avenue/Parc Sale, \$1.5 million due to the Consolidating Transactions, \$692,000 from the Anatole/OPOP Sales and \$1.0 million due to a decrease in depreciable assets.

*Impairment charges from unconsolidated joint ventures.* During 2021, we recognized \$2.8 million of impairment charges related to the February 2021 Texas winter storm (the "Texas Storm"). There were no comparable charges in 2020.

*Insurance recoveries from unconsolidated joint ventures.* During 2021, we recognized \$2.8 million of insurance recoveries related to the Texas Storm. There were no comparable recoveries in 2020.

*Gain on insurance recoveries from unconsolidated joint ventures.* During 2021, we recognized \$1.9 million in gains from insurance recoveries at two properties (*i.e.*, Verandas at Shavano and Retreat at Cinco Ranch, both located in San Antonio, TX), that were damaged by the Texas Storm, and \$325,000 from an insurance claim on Magnolia Pointe - Madison, AL, that sustained fire damage in a prior year, as in each case, the amounts received on claims exceeded the assets previously written-off. In 2020, we also recognized a gain of \$765,000 related to Magnolia Pointe - Madison, AL, property.

*Gain on sale of real estate from unconsolidated joint ventures*

On July 20, 2021, the unconsolidated joint venture which owned The Avenue Apartments, Ocoee, FL, sold the property for \$107.7 million and recognized a gain on the sale of this property of \$39.7 million.

On July 28, 2021, the unconsolidated joint venture which owned Parc at 980, Lawrenceville, GA, sold the property for \$118.3 million and recognized a gain on the sale of this property of \$44.3 million.

There were no comparable sales in 2020.

*Loss on early extinguishment of debt from unconsolidated joint ventures*

The loss in 2021 is due to prepayment charges in connection with the payoff of the mortgages related to the Avenue/Parc Sale. There was no comparable loss in 2020.

*Comparison of Years Ended December 31, 2020 and 2019*

As we qualify as a smaller reporting company, this comparison is omitted in accordance with Instruction 1 to Item 303(a) of Regulation S-K.

## **Funds from Operations; Adjusted Funds from Operations; Net Operating Income.**

In view of our multi-family property activities, we disclose funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income ("NOI") because we believe that such metrics are a widely recognized and appropriate measure of the performance of a multi-family REIT.

We compute FFO in accordance with the "White Paper on Funds From Operations" issued by the National Association of Real Estate Investment Trusts ("NAREIT") and NAREIT's related guidance. FFO is defined in the White Paper as net income (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, impairment write-downs of certain real estate assets and investments in entities where the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis. In computing FFO, we do not add back to net income the amortization of costs in connection with our financing activities or depreciation of non-real estate assets.

We compute AFFO by adjusting FFO for loss on extinguishment of debt, our straight-line rent accruals, restricted stock and RSU compensation expense, gain on insurance recovery, and deferred mortgage and debt costs (including our share of our unconsolidated joint ventures). Since the NAREIT White Paper does not provide guidelines for computing AFFO, the computation of AFFO may vary from one REIT to another.

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

FFO and AFFO do not represent net income or cash flows from operations as defined by GAAP. FFO and AFFO should not be considered to be an alternative to net income as a reliable measure of our operating performance; nor should FFO and AFFO be considered an alternative to cash flows from operating, investing or financing activities (as defined by GAAP) as measures of liquidity.

FFO and AFFO do not measure whether cash flow is sufficient to fund all of our cash needs, including principal amortization and capital improvements. FFO and AFFO do not represent cash flows from operating, investing or financing activities as defined by GAAP.

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

The table below provides a reconciliation of net (loss) income determined in accordance with GAAP to FFO and AFFO for each of the indicated years (amounts in thousands):

	2021	2020
GAAP Net income (loss) attributable to common stockholders	\$ 29,114	\$ (19,862)
Add: depreciation of properties	8,025	6,742
Add: our share of depreciation in unconsolidated joint venture properties	23,083	26,493
Add: impairment charge	520	3,642
Add: our share of impairment charge in unconsolidated joint venture properties	2,010	—
Deduct: our share of earnings in earnings from sale of unconsolidated joint venture properties	(34,982)	—
Deduct: gain on sales of real estate and partnership interests	(10,325)	—
Adjustment for non-controlling interests	(16)	(16)
Funds from operations	17,429	16,999
Adjust for: straight-line rent accruals	(18)	(40)
Add: loss on extinguishment of debt	1,575	—
Add: our share of loss on extinguishment of debt from unconsolidated joint venture properties	4,581	—
Add: amortization of restricted stock and RSU expense	2,941	1,821
Add: amortization of deferred mortgage and debt costs	295	320
Add: our share of deferred mortgage costs from unconsolidated joint venture properties	542	626
Less: our share of insurance recovery from unconsolidated joint ventures	(2,010)	—
Less: our share of gain on insurance proceeds from unconsolidated joint venture properties	(1,528)	(519)
Adjustment for non-controlling interests	4	6
Adjusted funds from operations	<u>\$ 23,811</u>	<u>\$ 19,213</u>

The table below provides a reconciliation of net (loss) income per common share (on a diluted basis) determined in accordance with GAAP to FFO and AFFO.

	2021	2020
Net income (loss) attributable to common stockholders	\$ 1.62	\$ (1.16)
Add: depreciation of properties	0.45	0.39
Add: our share of depreciation from unconsolidated joint venture properties	1.29	1.55
Add: impairment charge	0.03	0.21
Add: our share of impairment charge in unconsolidated joint ventures	0.11	—
Deduct: our share of earnings from sale of unconsolidated joint venture properties	(1.95)	—
Deduct: gain on sales of real estate and partnership interest	(0.58)	—
Adjustment for non-controlling interests	—	—
Funds from operations	0.97	0.99
Adjustment 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	0.26	—
Add: amortization of restricted stock and RSU expense	0.16	0.10
Add: amortization of deferred mortgage and debt costs	0.02	0.02
Add: our share of amortization of deferred mortgage and debt costs from unconsolidated ventures	0.03	0.04
Deduct: our share of insurance recovery from unconsolidated joint ventures	(0.11)	—
Deduct: our share of gain on insurance proceeds from unconsolidated joint ventures	(0.09)	(0.03)
Adjustment for non-controlling interests	—	—
Adjusted funds from operations	<u>\$ 1.33</u>	<u>\$ 1.12</u>
Diluted shares outstanding for FFO and AFFO	<u>17,936,465</u>	<u>17,115,697</u>

FFO for 2021 increased \$430,000, or 2.5%, to \$17.4 million from \$17.0 million in 2020 due primarily to improved operating margins at same store properties, the Consolidating Transactions (including the purchase of the interest in Civic Center I and II), reduced interest expense, insurance recoveries and gain on insurance proceeds. The increase was offset by the increase in debt prepayment charges, the sale of properties, the sale of properties by joint ventures and the sale of interests in joint ventures (collectively referred to as, the "2021 Sales"), the non-cash amortization of equity award expense and the inclusion, in 2020, of other income related to a loan receivable that was paid-off in September 2020.

FFO for 2021 decreased \$ 0.02 per diluted share, or 2.0%, from \$0.99 per diluted share to \$0.97 per diluted share due primarily to issuances pursuant to our equity incentive and at-the-market equity offering programs.

AFFO for 2021 increased \$4.6 million, or 23.9%, to \$23.8 million from \$19.2 million in 2020, primarily due to improved operating margins, the Consolidated Transactions (including the purchase of the interest in Civic Center I and II) and reduced interest expense offset by the 2021 Sales and the inclusion, in 2020, of other income from a loan receivable that was paid off in September 2020. Per share AFFO was impacted negatively by issuances pursuant to our equity incentive and at-the-market equity offering programs.

NOI is a non-GAAP measure of performance. NOI is used by our management and many investors to evaluate and compare the performance of our properties to other comparable properties, to determine trends at our properties and to determine the estimated fair value of our properties. The usefulness of NOI may be limited in that it does not take into account, among other things, general and administrative expense, interest expense, loss on extinguishment of debt, casualty losses, insurance recoveries and gains or losses as determined by GAAP. NOI is a property specific performance metric and does not measure our performance as a whole. Same store NOI reflects the operations of seven of our ten wholly-owned properties.

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. 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 income (loss). NOI is one of the measures we use to evaluate our performance because it (i) measures the core operations of property performance by excluding corporate level expenses and other items unrelated to property operating performance and (ii) captures trends in rental housing and property operating expenses. However, NOI should only be used as an alternative measure of our financial performance.

The following table provides a reconciliation of net income attributable to common stockholders as computed in accordance with GAAP to NOI for the periods presented (dollars in thousands):

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
GAAP Net income (loss) attributable to common stockholders	\$ 29,114	\$ (19,862)
Less: Other Income	(16)	(651)
Add: Interest expense	6,757	7,100
General and administrative	12,621	11,701
Depreciation	8,025	6,742
Impairment charge	520	3,642
Provision for taxes	206	248
Less: Gain on sale of real estate	(7,693)	—
Gain on the sale of partnership interests	(2,632)	—
Add: Loss on extinguishment of debt	1,575	—
Equity in loss of unconsolidated joint venture properties	4,208	6,024
Less: Equity in earnings from sale of unconsolidated joint venture properties	(34,982)	—
Add: Net income attributable to non-controlling interests	136	130
<b>Net Operating Income</b>	<b>\$ 17,839</b>	<b>\$ 15,074</b>
Less: Non same store and non multi family (1)		
Revenues	(7,125)	(4,316)
Operating Expenses	3,393	2,333
<b>Same Store Net Operating Income</b>	<b>\$ 14,107</b>	<b>\$ 13,091</b>

(1) Prior year amounts have been adjusted to reflect the current year composition to reflect only those properties that were same store for both the current and the prior year.

NOI increased in 2021 by \$2.8 million, or 18.2%, to \$ 17.9 million from \$15.1 million in 2020, primarily due to \$2.4 million from the Consolidating Transactions and a \$1.0 million increase in Same Store NOI offset by a \$678,000 decrease due to the sale of Kendall Manor. The Same Store NOI increase is due primarily to a \$1.7 million increase in rental revenue from increased rental rates and, to a lesser extent, higher occupancy rates and higher ancillary income, offset by a \$765,000 increase in operating expenses. See "Results of Operations - Years Ended December 31, 2021 and 2020"

### Disclosure of Known Material Contractual Obligations

The following table sets forth as of December 31, 2021 our known material contractual obligations:

(Dollars in thousands)	<b>Payment Due by Period</b>				
	<b>Less than 1 Year</b>	<b>1 - 3 Years</b>	<b>3 - 5 Years</b>	<b>More than 5 Years</b>	<b>Total</b>
Long-Term Debt Obligations (1)	\$ 68,729	\$ 113,037	\$ 221,695	\$ 648,232	\$ 1,051,693
Operating Lease Obligations	232	483	507	3,499	4,721
Purchase Obligations (2)(3)	7,227	14,454	14,454	—	36,135
<b>Total</b>	<b>\$ 76,188</b>	<b>\$ 127,974</b>	<b>\$ 236,656</b>	<b>\$ 651,731</b>	<b>\$ 1,092,549</b>

(1) Reflects payments of principal (including amortization payments) and interest and excludes deferred costs. Includes all of the debt of unconsolidated joint ventures. See the following table for information regarding same. Assumes that the interest rate on the junior subordinated notes will be 2.13% per annum which was the rate in effect at December 31, 2021.

(2) Assumes that \$922,000 will be paid annually for the next five years pursuant to the shared services agreement and \$1.5 million will be paid annually through December 31, 2027 for the Services. See "Item 1. Business—Our Structure."

(3) Assumes that approximately \$4.8 million of property management fees will be paid annually to the property managers of our multi-family properties, including \$3.9 million related to unconsolidated joint ventures. Such sum reflects the amount we anticipate paying in 2022 on the multi-family properties we own at December 31, 2021. These fees are typically charges based on a percentage of rental revenues from a property. No amount has been reflected as payable pursuant thereto after five years as such amount is not determinable.

The following table sets forth as of December 31, 2021 information regarding the components of our long-term debt obligations:

(Dollars in thousands)	Payment due by Period				Total
	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years	
Mortgages on consolidated properties (1)	\$ 38,273	\$ 16,281	\$ 29,551	\$ 176,123	\$ 260,228
Mortgages on unconsolidated properties (1)(2)	29,659	95,162	190,550	426,479	741,850
Junior subordinated notes (3)	797	1,594	1,594	45,630	49,615
Total	<u>\$ 68,729</u>	<u>\$ 113,037</u>	<u>\$ 221,695</u>	<u>\$ 648,232</u>	<u>\$ 1,051,693</u>

(1) Includes payments of principal (including amortization payments), and interest and excludes deferred costs.

(2) Includes all of the debt of unconsolidated joint ventures, including Verandas at Shavano which was sold in February 2022.

(3) Assumes that the interest rate on the junior subordinated notes will be 2.13% per annum.

## Liquidity and Capital Resources

We require funds to pay operating expenses and debt service obligations, acquire properties (including the acquisition of interest of our joint venture partners), make capital improvements, fund capital contributions, pay dividends and to the extent we deem appropriate, repurchase shares pursuant to our share buy back program. In 2021, our primary sources of capital and liquidity were the operations of our multi-family properties (including distributions of \$15.3 million from the operations of our unconsolidated joint ventures and \$46.7 million of distributions from sale transactions), \$35.2 million from property sales (including sales of properties owned by consolidated entities and sales of interests in unconsolidated joint ventures), net mortgage proceeds of \$21.5 from the refinancing of mortgage debt in connection with the purchase of the remaining interests of certain joint ventures, \$9.6 million from the sale of our common stock through our at-the-market equity offering program, and our available cash (including restricted cash). Excluding funds held at our unconsolidated subsidiaries, at December 31, 2021 and February 28, 2022, our available liquidity was approximately \$67.3 million and \$75.7 million, respectively, including \$32.3 million and \$40.7 million, respectively, of cash and cash equivalents, and subject to compliance with borrowing base and other requirements, up to \$35 million and \$35 million, respectively, available under our credit facility.

After giving effect to the sale of Verandas at Shavano, we anticipate that for the three years beginning January 1, 2022, our operating expenses, \$112.8 million of mortgage amortization and interest expense and \$40.2 million of balloon payments (including \$87.6 million and \$10.8 million, respectively, from unconsolidated joint ventures) due with respect to mortgages maturing from 2022 to 2024, estimated cash dividend payments of at least \$51.1 million (assuming (i) the current quarterly dividend rate of \$0.23 per share and (ii) 18.5 million shares outstanding) and share repurchases, if any, pursuant to our share buy back program, will be funded from cash generated from operations (including distributions from unconsolidated joint ventures), mortgage financings and re-financings, sales of properties, the issuance of additional equity and, if available as noted below, our \$35 million credit facility. Our operating cash flow and available cash is insufficient to fully fund the \$64.7 million of balloon payments, and if we are unable to refinance such debt on acceptable terms, we may need to issue additional equity or dispose of properties, in each case on potentially unfavorable terms.

Capital improvements at (i) 13 multi-family properties will be funded by approximately \$6.6 million of restricted cash available at December 31, 2021 and (ii) other properties will be funded from the operations of such properties.

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

## Corporate Level Financing Arrangements

### *Junior Subordinated Notes*

As of December 31, 2021 \$37.4 million (excluding deferred costs of \$297,000) in principal amount of our junior subordinated notes is outstanding. These notes mature in April 2036, contain limited covenants (including covenants prohibiting us from paying dividends or repurchasing capital stock if there is an event of default (as defined therein) on these

notes), are redeemable at our option and bear an interest rate, which resets and is payable quarterly, of three-month LIBOR plus 200 basis points. Although these notes provide for an alternate method of calculating interest when LIBOR becomes unavailable in June 2023, if not earlier, such alternative rate may not be available in which case we may have to negotiate a secondary alternative rate with the counterparties to such debt. If we and the counterparties to this debt are unable to agree to a satisfactory secondary alternate rate, our cash flow and operating results may be adversely effected. At December 31, 2021 and 2020, the interest rate on these notes was 2.13% and 2.21%, respectively.

### *Credit Facility*

Our credit facility with VNB New York, LLC, an affiliate of Valley National Bank (collectively, "VNB"), as amended and restated, allows us to borrow, subject to compliance with borrowing base requirements and other conditions, up to \$35 million, (i) for the acquisition of, and investment in, multi-family properties, (ii) to repay mortgage debt secured by multi-family properties and (iii) for Operating Expenses (*i.e.*, working capital (including dividend payments) and operating expenses); provided, that not more than \$15 million may be used for Operating Expenses. (The facility provides that it may be expanded to provide for up to \$60 million of availability if another lender(s) is willing to provide an additional \$25 million of availability). The credit facility is secured by cash accounts maintained by us at VNB (and we are required to maintain substantially all of our bank accounts at VNB), and the pledge of our interests in the entities that own the unencumbered multi-family properties used in calculating the borrowing base. The credit facility bears an annual interest rate, which resets daily, of 25 basis points over the prime rate, with a floor of 3.50%. There is an annual fee of 0.25% on the total amount committed by VNB and unused by us. The credit facility matures in November 2024. As of the date of this filing, no amounts are outstanding on the credit facility and \$35 million was available to be borrowed thereunder.

The terms of the credit facility include certain restrictions and covenants which, among other things, limit the incurrence of liens, require that we maintain and include in the collateral securing the facility at least two unencumbered properties with an aggregate value (as calculated pursuant to the facility) of at least \$50 million, and require compliance with financial ratios relating to, among other things, the minimum amount of debt service coverage with respect to the properties (and amounts drawn on the credit facility) used in calculating the borrowing base. Net proceeds received from the sale, financing or refinancing of wholly-owned properties are generally required to be used to repay amounts outstanding under the credit facility.

We are in compliance in all material respects with the requirements of the facility.

### **Other Financing Sources and Arrangements**

At December 31, 2021, we are joint venture partners in unconsolidated joint ventures which own 23 multi-family properties. The distributions from the properties owned by these ventures, \$62.0 million in 2021 (including \$46.7 million from the sale of such properties) are a material source of our liquidity and cash flow. Further, we may be required to make significant capital contributions with respect to these properties. At December 31, 2021, our investment in these joint venture properties have a net equity carrying value of \$112.3 million and are subject to mortgage debt, which is not reflected on our consolidated balance sheet, of \$587.9 million. Although BRT Apartments Corp. is not the obligor with respect to such mortgage debt, the loss of any of these properties due to mortgage foreclosure or similar proceedings would have a material adverse effect on our results of operations and financial condition. These joint venture arrangements have been, and we anticipate that they will continue to be, material to our liquidity and capital resource position. See note 6 to our consolidated financial statements.

See Item 1. "*Business-Mortgage Debt*" for information regarding our mortgage debt at consolidated and unconsolidated subsidiaries.

### **Inflation**

As the majority of our lease terms are for a period of one-year or less we are able to reset rental rates to market if renewed. Accordingly, due to the short-term nature of our leases, we do not believe our results will be materially adversely affected by inflation.

Inflation may also affect the overall cost of debt, as the implied cost of capital increases. Currently, interest rates are less than historical averages. However, the Federal Reserve, in response to or in anticipation of continued inflation concerns, could continue to raise interest rates. Other than with respect to our LIBOR Debt and debt incurred pursuant to our credit facility, we intend to mitigate these risks through long-term fixed interest rate loans and interest rate hedges.

### **Cash Distribution Policy**

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. Accordingly, to qualify as a REIT, we must, among other things, meet a number of organizational and operational requirements, including a requirement

that we distribute currently at least 90% of our ordinary taxable income to our stockholders. It is our current intention to comply with these requirements and maintain our REIT status. As a REIT, we generally will not be subject to corporate federal, state or local income taxes on taxable income we distribute currently (in accordance with the Internal Revenue Code and applicable regulations) to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal, state and local income taxes at regular corporate rates and may not be able to qualify as a REIT for four subsequent tax years. Even if we qualify for federal taxation as a REIT, we may be subject to certain state and local taxes on our income and to federal income taxes on our undistributed taxable income (*i.e.*, taxable income not distributed in the amounts and in the time frames prescribed by the Internal Revenue Code and applicable regulations thereunder) and are subject to Federal excise taxes on our undistributed taxable income.

It is our intention to pay to our stockholders within the time periods prescribed by the Internal Revenue Code no less than 90%, and, if possible, 100% of our annual taxable income, including taxable gains from the sale of real estate. It will continue to be our policy to make sufficient distributions to stockholders in order for us to maintain our REIT status under the Internal Revenue Code.

Our board of directors will continue to evaluate, on a quarterly basis, the amount of dividend payments based on its assessment of, among other things, our short and long-term cash and liquidity requirements, prospects, debt maturities, net income, funds from operations, and adjusted funds from operations.

### **Critical Accounting Estimates**

Our significant accounting policies are more fully described in note 1 to our consolidated financial statements. The preparation of financial statements and related disclosure in conformity with accounting principles generally accepted in the United States requires management to make certain judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Certain of our accounting policies are particularly important to understand our financial position and results of operations and require the application of significant judgments and estimates by our management; as a result they are subject to a degree of uncertainty. These significant accounting policies include the following:

#### *Equity method investments*

We report our investments in unconsolidated entities, over whose operating and financial policies we have the ability to exercise significant influence but not control, under the equity method of accounting. Under this method of accounting, our pro rata share of the applicable entity's earnings or losses is included in our consolidated statements of operations. We initially record our investments based on either the carrying value for properties contributed or the cash invested.

We evaluate our equity-method investments for impairment whenever events or changes in circumstances indicate that the carrying value of our investments may exceed the fair value. If it is determined that a decline in the fair value of our investments is not temporary, and if such reduced fair value is below its carrying value, an impairment is recorded. Determining fair value involves significant judgment. Our estimates consider available evidence including the present value of the expected future cash flows discounted at market rates, general economic conditions and other relevant factors. In 2021, we recorded an impairment related to our equity investment in the OPOP Properties. This property was sold in November 2021.

#### *Carrying Value of Real Estate Portfolio*

We conduct a quarterly review of each real estate asset owned by us and through our joint ventures. This review is conducted in order to determine if indicators of impairment are present on the real estate.

In reviewing the value of the real estate assets owned, whether by us or our joint ventures, if there is an indicator of impairment and the carrying value of the real estate asset is determined to be unrecoverable, we seek to arrive at the fair value of each real estate asset by using one or more valuation techniques, such as comparable sales, discounted cash flow analysis or replacement cost analysis. A real estate asset is considered to be unrecoverable when an analysis suggests that the undiscounted cash flows to be generated by the property will be insufficient to recover our investment. Any impairment taken with respect to our real estate assets reduces our net income, assets and stockholders' equity to the extent of the amount of the allowance, but it will not affect our cash flow until such time as the property is sold.

#### *Purchase Price Allocations*

We allocate the purchase price of properties, including acquisition costs and assumed debt, when appropriate, to the tangible and identified intangible assets and liabilities acquired based on their relative fair values. In making estimates of fair

values for purposes of allocating purchase price, we use a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, our own analysis of recently acquired and existing comparable properties in our portfolio and other market data. We also consider information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

#### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Our junior subordinated notes bear interest at the rate of three-month LIBOR plus 200 basis points. A 100 basis point increase in the rate would result in an increase in interest expense in 2022 of \$374,000 and a 100 basis point decrease in the rate would result in a \$77,000 decrease in interest expense in 2022.

#### **Item 8. Financial Statements and Supplementary Data.**

The information required by this item appears in a separate section of this Report following Part IV.

#### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

#### **Item 9A. Controls and Procedures.**

##### *Evaluation of Disclosure Controls and Procedures*

A review and evaluation was performed by our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Annual Report on Form 10-K. Based on that review and evaluation, our CEO and CFO have concluded that our disclosure controls and procedures, as designed and implemented as of December 31, 2021, were effective.

##### *Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by a company's board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of a company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of a company are being made only in accordance with authorizations of management and the board of directors of a company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the financial transactions.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, our management used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013).

Based on its assessment, our management concluded that, as of December 31, 2021, our internal control over financial reporting was effective based on these criteria.

### *Changes in Internal Controls over Financial Reporting*

There have been no changes in our internal controls over financial reporting, as defined in in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, that occurred during the three months ended December 31, 2021 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

### **Item 9B. Other Information.**

#### *Federal Income Tax Considerations*

The discussion in Exhibit 99.1 filed herewith is incorporated herein by reference.

#### *Adoption of 2022 Incentive Plan*

In March 2022, our board of directors adopted, subject to stockholder approval, the 2022 Incentive Plan. This plan permits us 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 1,000,000 shares; and (ii) cash settled dividend equivalent rights in tandem with the grant of certain awards.

#### *Correction of Information in Current Report on Form 8-K Furnished on, and Press Release issued on, March 14, 2022.*

Due to an error, our press release issued March 14, 2022 (page 9 to exhibit 99.1 to our Current Report on Form 8-K furnished to the SEC on March 14, 2022(the “8-K”)) and the supplemental financial information (page 5 to exhibit 99.2 to our 8-K) incorrectly reported the number of shares used in calculating in such documents per share FFO and AFFO for the quarter ended December 31, 2021. The incorrect number of shares is 17,317,596. The correct number of shares is 18,240,532. This error did not impact the values reported in the 8-K (including the exhibits thereto) for per share FFO and AFFO as such reported values were correct. We do not hereby incorporate by reference into this Annual Report on Form 10-K any of the information included in our 8-K.

### **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

Apart from certain information concerning our executive officers which is set forth in Part I of this report, the other information required by Item 10 will be incorporated herein by reference to the applicable information to be in the proxy statement to be filed by May 2, 2022 for our 2022 Annual Meeting of Stockholders.

### Item 11. Executive Compensation.

The information concerning our executive compensation required by Item 11 is incorporated herein by reference to the proxy statement to be filed by May 2, 2022 with respect to our 2022 Annual Meeting of Stockholders.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Except as set forth below, the information required by Item 12 is incorporated herein by reference to the proxy statement to be filed by May 2, 2022 with respect to our 2022 Annual Meeting of Stockholders.

#### *Equity Compensation Plan Information*

As of December 31, 2021, the only equity compensation plan under which equity compensation may be awarded is our 2020 Incentive Plan, which was approved by our stockholders in June 2020. This plan permits us to grant stock options, restricted stock, restricted stock units ("RSUs"), dividend equivalent rights and performance based awards to our employees, officers, directors, consultants and other eligible participants. The table below provides information as of December 31, 2021 with respect to our shares of common stock that may be issued upon exercise of outstanding options, warrants and rights. (See note 10 of our consolidated financial statements for further information about our equity compensation plans).

	Number of securities to be issued upon exercise (or vesting) of outstanding options, restricted stock units, warrants and rights (a)		Weighted- average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available-for future issuance under equity compensation plans —excluding securities reflected in column (a) (c)	
Equity compensation plans approved by security holders	210,375	(1)	—	473,101	(2)
Equity compensation plans not approved by security holders	—		—	—	
<b>Total</b>	<b>210,375</b>	<b>(1)</b>	<b>—</b>	<b>473,101</b>	<b>(2)</b>

(1) Represents shares of common stock underlying RSUs granted in 2021 pursuant to our 2020 Incentive Plan (the "2020 Plan"). The RSUs vest in 2024 subject to the satisfaction of market and performance based vesting conditions. There is no exercise price associated with such units. Excludes 316,524 shares of restricted stock issued pursuant to the 2020 plan as such shares, though subject to forfeiture, are outstanding.

(2) Gives effect to the 316,524 shares of restricted stock issued and outstanding pursuant to the 2020 Plan. Does not give effect to 158,973 shares of restricted stock granted January 13, 2022 pursuant to the 2020 Plan.

### Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information concerning relationships and certain transactions required by Item 13 is incorporated herein by reference to the proxy statement to be filed by May 2, 2022 with respect to our 2022 Annual Meeting of Stockholders.

### Item 14. Principal Accounting Fees and Services.

The information concerning our principal accounting fees required by Item 14 is incorporated herein by reference to the proxy statement to be filed by May 2, 2022 with respect to our 2022 Annual Meeting of Stockholders.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

(a)

1. All Financial Statements.

The response is submitted in a separate section of this report following Part IV.

2. Financial Statement Schedules.

The response is submitted in a separate section of this report following Part IV.

3. Exhibits:

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about us or the other parties to the agreements. Certain agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit No.	Title of Exhibits
<u>1.1</u>	Form of Equity Distribution Agreement (incorporated by reference to Exhibit 1.1 to our Current Report on Form 8-K on November 26, 2019).
<u>1.2</u>	Amendment No. 1 to Equity Distribution Agreements entered into as of March 31, 2021 among us, B. Riley Securities, Inc., JMP Securities LLC, and D.A. Davidson & Co. (incorporated by reference to exhibit 10.1 filed with our Quarterly Report on Form 10-Q for the period ended March 31, 2021).
<u>2.1</u>	Plan of Conversion dated December 8, 2016 (incorporated by reference to Annex B of Amendment No. 1 to our Registration Statement on Form S-4 filed January 12, 2017 (the "S-4 Registration") (Reg. No. 333-215221).
<u>3.1</u>	Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed March 20, 2017).
<u>3.2</u>	By-laws of the Registrant (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed March 20, 2017).
<u>4.1</u>	Junior Subordinated Supplemental Indenture, dated as of March 15, 2011, between us and the Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed March 18, 2011).
<u>4.2</u>	Description of Registrant's Securities Registered Pursuant to Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.2 to our Annual Report on Form 10-K for the year ended December 31, 2020).
<u>10.1</u> *	Shared Services Agreement, dated as of January 1, 2002, by and among Gould Investors L.P., us, One Liberty Properties, Inc., Majestic Property Management Corp., Majestic Property Affiliates, Inc. and REIT Management Corp. (incorporated by reference to Exhibit 10.2 to our Form 10-K filed December 11, 2008).
<u>10.2</u> *	Form of Indemnification Agreement between the Registrant on the one hand, and its executive officers and directors, on the other hand (incorporated by reference to Exhibit 10.5 to our Annual Report of Form 10-K filed December 14, 2017).
<u>10.3</u> *	Amended and Restated 2016 Incentive Plan (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended March 31, 2016)
<u>10.4</u>	Membership Interest Purchase Agreement dated as of February 23, 2016 entered into between TRB Newark Assemblage, LLC ("TRB") and TRB Newark TRS, LLC ("TRB REIT" and together with TRB, collectively, the "Seller") and RBH Partners III, LLC, and joined by RBH-TRB Newark Holdings, LLC and GS-RBH Newark Holdings, LLC (incorporated by reference to exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended March 31, 2016).
<u>10.5</u> *	Form of Restricted Shares Agreement for the Amended and Restated 2016 Incentive Plan (incorporated by reference to Exhibit 10.40 to our Registration Statement on Form S-4/A filed with the SEC on January 12, 2017 (File No 333-215221)).
<u>10.6</u> *	2018 Incentive Plan (incorporated by reference to exhibit 10.1 to our Current Report on Form 8-K filed on March 13, 2018).

Exhibit No.	Title of Exhibits
<u>10.7</u>	* Form of Restricted Shares Agreement for the 2018 Incentive Plan (incorporated by reference Exhibit 10.10 to our Annual Report on Form 10-K filed December 10, 2018).
<u>10.8</u>	2020 Incentive Plan (incorporated by reference to Exhibit 10.15 filed with our Annual Report on Form 10-K for the year ended December 31, 2020).
<u>10.9</u>	* Form of Performance Awards Agreement granted in 2021 pursuant to the 2020 Incentive Plan (incorporated by reference to exhibit 10.1 of our Current Report on Form 8-K filed on June 11, 2021)
<u>10.10</u>	Amended and Restated Loan Agreement (the "Loan Agreement") made as of November 18, 2021, by and among us and VNB New York, LLC. (incorporated by reference to Exhibit 10.1 filed with our Current Report on Form 8-K on November 18, 2021).
<u>10.11</u>	Unlimited guaranty given by us in favor of VNB (incorporated by reference to Exhibit 10.2 filed with our Current Report on Form 8-K on November 18, 2021).
<u>10.12</u>	Form of Pledge Agreement (incorporated by reference to Exhibit 10.3 filed with our Current Report on Form 8-K on November 18, 2021).
<u>10.13</u>	Form of Negative Pledge Agreement (incorporated by reference to Exhibit 10.4 filed with our Current Report on Form 8-K on November 18, 2021).
<u>10.14</u>	Letter agreement dated as of November 19, 2021 with respect to the Loan Agreement.
<u>21.1</u>	Subsidiaries of the Registrant.
<u>23.1</u>	Consent of Ernst & Young, LLP.
<u>31.1</u>	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (the "Act").
<u>31.2</u>	Certification of Senior Vice President—Finance pursuant to Section 302 of the Act.
<u>31.3</u>	Certification of Chief Financial Officer pursuant to Section 302 of the Act.
<u>32.1</u>	Certification of Chief Executive Officer pursuant to Section 906 of the Act.
<u>32.2</u>	Certification of Senior Vice President—Finance pursuant to Section 906 of the Act.
<u>32.3</u>	Certification of Chief Financial Officer pursuant to Section 906 of the Act.
<u>99.1</u>	Federal Income Tax Considerations (incorporated by reference to Exhibit 99.3 filed with our Current Report on Form 8-K on March 11, 2021)
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

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\* Indicates management contract or compensatory plan or arrangement.

(b) Exhibits.

See Item 15(a)(3) above. Except as otherwise indicated with respect to a specific exhibit, the file number for all of the exhibits incorporated by reference is: 001-07172.

(c) Financial Statements.

See Item 15(a)(2) above.

**Item 16. Form 10-K Summary**

Not applicable.



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**Item 8, Item 15(a)(1) and (2)**

Index to Consolidated Financial Statements and Consolidated Financial Statement Schedules

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<u>Consolidated Balance Sheets as of December 31, 2021 and 2020</u>	F- <u>4</u>
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<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2021 and 2020</u>	F- <u>6</u>
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<u>Notes to Consolidated Financial Statements</u>	F- <u>10</u>
Consolidated Financial Statement Schedule for the year ended December 31, 2021	
<u>III—Real Estate Properties and Accumulated Depreciation</u>	F- <u>34</u>

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or the notes thereto.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of BRT Apartments Corp.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of BRT Apartments Corp. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

### ***Joint Venture Consolidation Assessment***

***Description of  
the matter***

The Company accounted for certain investments in real estate joint ventures under the equity method of accounting. At December 31, 2021, the Company's investments in unconsolidated joint ventures were \$112.3 million. As discussed in Note 1 to the consolidated financial statements, for each venture the Company evaluated the rights provided to each party in the venture to assess the consolidation of the venture.

Auditing management's joint venture consolidation analyses was complex and highly judgmental due to the subjectivity in assessing which activities most significantly impact the respective joint venture's economic performance based on the purpose and design of the entity over the duration of its expected life and assessing which party has rights to direct those activities.

***How we  
addressed the  
matter in our  
audit***

To test the Company's consolidation assessment for real estate joint ventures, our procedures included, among others, reviewing joint venture agreements and discussing with management the nature of the rights conveyed to the Company through the joint venture agreements. We reviewed management's assessment of the activities that would most significantly impact the joint venture's economic performance and evaluated whether the joint venture agreements provided participating or protective rights to the Company. We also evaluated transactions with the joint ventures for events which would require a reconsideration of previous consolidation conclusions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2020.

New York, New York

March 15, 2022

**BRT APARTMENTS CORP. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**(Amounts in thousands, except share data)**

	December 31,	
	2021	2020
<b>ASSETS</b>		
Real estate properties, net of accumulated depreciation of \$36,467 and \$30,837	\$ 293,550	\$ 160,192
Investment in unconsolidated joint ventures	112,347	169,474
Cash and cash equivalents	32,339	19,885
Restricted cash	6,582	8,800
Other assets	10,341	7,390
Real estate property held for sale	4,379	—
<b>Total Assets</b>	<b>\$ 459,538</b>	<b>\$ 365,741</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Mortgages payable, net of deferred costs of \$980 and \$563	\$ 199,877	\$ 130,434
Junior subordinated notes, net of deferred costs of \$297 and \$317	37,103	37,083
Accounts payable and accrued liabilities	19,607	20,536
<b>Total Liabilities</b>	<b>256,587</b>	<b>188,053</b>
Commitments and contingencies		
Equity:		
BRT Apartments Corp. stockholders' equity:		
Preferred shares \$0.01 par value 2,000 shares authorized, none outstanding	—	—
Common stock, \$0.01 par value, 300,000 shares authorized, 17,349 and 16,432 shares issued at December 31, 2021 and 2020	173	164
Additional paid-in capital	258,161	245,605
Accumulated other comprehensive income	—	(19)
Accumulated deficit	(55,378)	(67,978)
<b>Total BRT Apartments Corp. stockholders' equity</b>	<b>202,956</b>	<b>177,772</b>
Non-controlling interests	(5)	(84)
<b>Total Equity</b>	<b>202,951</b>	<b>177,688</b>
<b>Total Liabilities and Equity</b>	<b>\$ 459,538</b>	<b>\$ 365,741</b>

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,	
	2021	2020
Revenues:		
Rental and other revenue from real estate properties	\$ 32,041	\$ 27,451
Other income	16	651
Total revenues	32,057	28,102
Expenses:		
Real estate operating expenses—including \$31 and \$32 to related parties	14,202	12,377
Interest expense	6,757	7,100
General and administrative—including \$641 and \$761 to related party	12,621	11,701
Impairment charge	520	3,642
Depreciation and amortization	8,025	6,742
Total expenses	42,125	41,562
Total revenues less total expenses	(10,068)	(13,460)
Equity in loss from unconsolidated joint ventures	(4,208)	(6,024)
Equity in earnings from sale of unconsolidated joint venture properties	34,982	—
Gain on sale of real estate	7,693	—
Gain on sale of partnership interest	2,632	—
Loss on extinguishment of debt	(1,575)	—
Income (loss) from continuing operations	29,456	(19,484)
Provision for taxes	206	248
Income (loss) from continuing operations, net of taxes	29,250	(19,732)
(Income) attributable to non-controlling interests	(136)	(130)
Net income (loss) attributable to common stockholders	\$ 29,114	\$ (19,862)
Weighted average number of shares of common stock outstanding:		
Basic	17,017,690	17,115,697
Diluted	17,084,642	17,115,697
Per share amounts attributable to common stockholders		
Basic	\$ 1.63	\$ (1.16)
Diluted	\$ 1.62	\$ (1.16)

See accompanying notes to consolidated financial statements.

**BRT REALTY TRUST AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Dollars in thousands)

	Year Ended December 31,	
	2021	2020
Net income (loss)	\$ 29,250	\$ (19,732)
Other comprehensive income (loss):		
Unrealized gain (loss) on derivative instruments	22	(12)
Other comprehensive income (loss)	22	(12)
Comprehensive income (loss)	29,272	(19,744)
Comprehensive (income) attributable to non-controlling interests	(140)	(128)
Comprehensive income (loss) attributable to common stockholders	\$ 29,132	\$ (19,872)

See accompanying notes to consolidated financial statements.

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

**Years Ended December 31, 2021 and 2020**

**(Dollars in thousands, except share data)**

	Shares of Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	(Accumulated Deficit)	Non- Controlling Interests	Total
Balances, December 31, 2019	\$ 156	\$ 232,331	\$ (10)	\$ (32,824)	\$ (93)	\$ 199,560
Distributions - Common Stock - \$0.88 per share	—	—	—	(15,292)	—	(15,292)
Restricted stock vesting	1	(1)	—	—	—	—
Compensation expense—restricted stock and restricted stock units	—	1,821	—	—	—	1,821
Distributions to non-controlling interests	—	—	—	—	(118)	(118)
Shares issued through equity offering program, net	7	12,070	—	—	—	12,077
Shares repurchased	—	(616)	—	—	—	(616)
Net (loss) income	—	—	—	(19,862)	130	(19,732)
Other comprehensive loss	—	—	(9)	—	(3)	(12)
Comprehensive loss	—	—	—	—	—	(19,744)
Balances, December 31, 2020	\$ 164	\$ 245,605	\$ (19)	\$ (67,978)	\$ (84)	\$ 177,688
Distributions - Common Stock - \$0.90 per share	—	—	—	(16,514)	—	(16,514)
Restricted stock and restricted stock units vesting	4	(4)	—	—	—	—
Compensation expense—restricted stock and restricted stock units	—	2,941	—	—	—	2,941
Distributions to non-controlling interests	—	—	—	—	(60)	(60)
Shares issued through equity offering program, net	5	9,619	—	—	—	9,624
Net income	—	—	—	29,114	136	29,250
Other comprehensive income	—	—	19	—	3	22
Comprehensive income	—	—	—	—	—	29,272
Balances, December 31, 2021	<u>\$ 173</u>	<u>\$ 258,161</u>	<u>\$ —</u>	<u>\$ (55,378)</u>	<u>\$ (5)</u>	<u>\$ 202,951</u>

See accompanying notes to consolidated financial statements

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

	Year Ended December 31,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net Income (loss)	\$ 29,250	\$ (19,732)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	8,025	6,742
Amortization of deferred financing fees	295	280
Amortization of debt fair value adjustment	(60)	—
Amortization of restricted stock and restricted stock units	2,941	1,821
Equity in loss of unconsolidated joint ventures	4,208	6,024
Equity in earnings on sale of real estate of unconsolidated ventures	(34,982)	—
Impairment charge	520	3,642
Gain on sale of real estate	(7,693)	—
Gain on sale of partnership interest	(2,632)	—
Loss on extinguishment of debt	1,575	—
Increases and decreases from changes in other assets and liabilities:		
Decrease (increase) in other assets	2,203	(108)
Decrease in accounts payable and accrued liabilities	(4,179)	(424)
Net cash used in operating activities	<u>(529)</u>	<u>(1,755)</u>
<b>Cash flows from investing activities:</b>		
Collections from real estate loans	—	150
Proceeds from the sale of mortgage loan	—	4,000
Improvements to real estate owned	(1,308)	(887)
Purchase and consolidation of joint venture properties	(111,956)	—
Proceeds from the sale of real estate owned	24,632	—
Proceeds from the sale of joint venture interests	10,540	—
Distributions from unconsolidated joint ventures	62,025	15,273
Contributions to unconsolidated joint ventures	(6,031)	(13,700)
Net cash provided by investing activities	<u>(22,098)</u>	<u>4,836</u>
<b>Cash flows from financing activities:</b>		
Proceeds from mortgages payable	89,680	—
Mortgage payoffs	(47,605)	—
Mortgage principal payments	(2,688)	(3,041)
Proceeds from credit facility	—	5,000
Repayment of credit facility	—	(5,000)
Increase in deferred financing costs	(319)	—

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

	<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Dividends paid	(15,769)	(15,116)
Distributions to non-controlling interests	(60)	(118)
Proceeds from the sale of common stock	9,624	12,077
Repurchase of shares of common stock	—	(616)
Net cash used in financing activities	<u>32,863</u>	<u>(6,814)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash:	10,236	(3,733)
Cash, cash equivalents and restricted cash at beginning of year	28,685	32,418
Cash, cash equivalents and restricted cash at end of year	<u>\$ 38,921</u>	<u>\$ 28,685</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest expense	<u>\$ 6,523</u>	<u>\$ 6,886</u>
Cash paid during the year for income and excise taxes	<u>\$ 173</u>	<u>\$ 291</u>
Consolidation on buyout of partnership interest:		
Increase in real estate assets	\$ 160,583	
Increase in other assets	5,671	
Increase in mortgage payable	(29,067)	
Increase in deferred loan costs	748	
Increase in accounts payable and accrued liabilities	(2,621)	
Decrease in investment in unconsolidated joint ventures	(23,358)	
	<u>\$ 111,956</u>	

See accompanying notes to consolidated financial statements.

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 1—ORGANIZATION, BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Background**

BRT Apartments Corp. (“BRT” or the “Company”) owns, operates and, to a lesser extent, develops multi-family properties. These multi-family properties may be wholly owned by us or by unconsolidated joint ventures in which the Company contributes a significant portion of the equity. At December 31, 2021, BRT: (i) wholly-owns ten multi-family properties located in seven states with an aggregate of 2,576 units and a carrying value of \$291,538,000; and (ii) has ownership interests, through unconsolidated entities, in 23 multi-family properties located in eight states with an aggregate of 6,697 units, and the carrying value of its net equity investment is \$112,347,000. In total, the Company has multi-family properties in 11 states, most of which are located in the Southeast United States and Texas.

The Company also owns and operates various other real estate assets. At December 31, 2021, the carrying value of the other real estate assets was \$6,400,000.

BRT conducts its operations to qualify as a real estate investment trust, or REIT, for Federal income tax purposes.

Substantially all of the Company's assets are comprised of multi-family real estate assets generally leased to tenants on a one-year basis. Therefore, the Company aggregates real estate assets for reporting purposes and operates in one reportable segment.

**Principles of Consolidation**

The consolidated financial statements include the accounts and operations of the Company and its wholly owned subsidiaries.

The joint venture that owns a property in Yonkers, New York was determined not to be a variable interest entity (“VIE”) but is consolidated because the Company has controlling rights in such entity.

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. For each venture, the Company evaluated the rights provided to each party in the venture to assess the consolidation of the venture. All investments in unconsolidated joint ventures have sufficient equity at risk to permit the entity to finance its activities without additional subordinated financial support and, as a group, the holders of the equity at risk have power through voting rights to direct the activities of these ventures. As a result, none of these joint ventures are VIEs. Additionally, the Company does not exercise substantial operating control over these entities, and therefore the entities are not consolidated. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for their share of equity in earnings, cash contributions and distributions. 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.

**Income Tax Status**

The Company qualifies as a real estate investment trust under sections 856-860 of the Internal Revenue Code of 1986, as amended. The board of directors may, at its option, elect to revoke or terminate the Company's election to qualify as a real estate investment trust.

The Company will not be subject to federal, and generally state and local taxes on amounts it distributes to stockholders, provided it distributes 90% of its ordinary taxable income and meets other conditions. The Company currently has net operating loss carryforwards which it can use to reduce taxable income.

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 1—ORGANIZATION, BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In accordance with Accounting Standards Codification ("ASC") Topic 740 - "Income Taxes", the Company believes that it has appropriate support for the income tax positions taken and, as such, does not have any uncertain tax positions that, if successfully challenged, could result in a material impact on the Company's financial position or results of operations. The Company's income tax returns for the previous six years are subject to review by the Internal Revenue Service.

**Revenue Recognition**

Rental revenue from multi-family properties is recorded when due from residents and is recognized monthly as it is earned. Rental payments are due in advance. Leases on residential properties are generally for terms that do not exceed one year.

Rental revenue from commercial properties, including the base rent that each tenant is required to pay in accordance with the terms of their respective leases, net of any rent concessions and lease incentives, is reported on a straight-line basis over the non-cancellable term of the lease.

**Real Estate Properties**

Real estate properties are stated at cost, net of accumulated depreciation, and include properties acquired through acquisition, development or foreclosure.

The Company assesses the fair value of real estate acquired (including land, buildings and improvements, and identified intangibles such as acquired in-place leases) and acquired liabilities and allocates the acquisition price, including transaction costs, based on these assessments. Depreciation for multi-family properties is computed on a straight-line basis over an estimated useful life of 30 years. Intangible assets (and liabilities) are amortized over the remaining life of the related leases at the time of acquisition and is usually less than one year. Expenditures for maintenance and repairs are charged to operations as incurred.

Real estate is classified as held for sale when management has determined that the applicable criteria have been met. Real estate assets that are expected to be disposed of are valued at the lower of their carrying amount or their fair value less costs to sell on an individual asset basis. Real estate classified as held for sale is not depreciated.

The Company accounts for the sale of real estate when title passes to the buyer, sufficient equity payments have been received, there is no continuing involvement by the Company and there is reasonable assurance that the remaining receivable, if any, will be collected.

**Asset Impairments**

The Company reviews each real estate asset owned to determine if there are indicators of impairment. If such indicators are present, the Company determines whether the carrying amount of the asset can be recovered. Recognition of impairment is required if the undiscounted cash flows estimated to be generated by the asset are less than the asset's carrying amount and that carrying amount exceeds the estimated fair value of the asset. The estimated fair value is determined using a discounted cash flow model of the expected future cash flows through the useful life of the property. The analysis includes an estimate of the future cash flows that are expected to result from the real estate investment's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends, the effects of leasing demands, and other factors. In evaluating a property for impairment, various factors are considered, including estimated current and expected operating cash flow from the property during the projected holding period, costs necessary to extend the life or improve the asset, expected capitalization rates, projected stabilized net operating income, selling costs, and the ability to hold and dispose of such real estate in the ordinary course of business. Valuation adjustments may be necessary in the event that effective interest rates, rent-up periods, future economic conditions, and other relevant factors vary significantly from those assumed in valuing the property. If future evaluations result in a decrease in the value of the property below its carrying value, the reduction will be recognized as an impairment charge. The fair values related to the impaired real estate assets are considered to be a level 3 valuation within the fair value hierarchy.

For investment in real estate ventures, if indicators of impairment are present, the Company determines if the fair value of the investment is less than its carrying value. Fair value is determined using a discounted cash flow model of the expected future cash flows through the useful life of the asset. The fair values related to the impaired investments in real estate ventures are considered to be a level 3 valuation within the fair value hierarchy.

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 1—ORGANIZATION, BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Equity Based Compensation**

Compensation expense for grants of restricted stock, restricted stock units ("RSUs") and dividend equivalent rights are amortized over the vesting period of such awards, based upon the estimated fair value of such award at the grant date. The Company recognizes the effect of forfeitures when they occur and previously recognized compensation expense is reversed in the period the grant or unit is forfeited. The deferred compensation related to the RSUs to be recognized as expense is net of certain performance assumptions which are re-evaluated quarterly. For accounting purposes, the restricted shares and the RSUs are not included in the outstanding shares shown on the consolidated balance sheets until they vest; however, the restricted shares are included in the calculation of both basic and diluted earnings per share as they participate in the earnings of the Company.

**Derivatives and Hedging Activities**

The Company's objective in using derivative financial instruments is to manage interest rate risk related to variable rate debt. The Company does not use derivatives for trading or speculative purposes. The Company records all derivatives on its consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows are considered cash flow hedges. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is reported in other comprehensive income (loss). Those amounts are reclassified to earnings in the same income statement line item that is used to present the earnings effect of the hedged item when the hedged item affects earnings. For derivatives not designated as cash flow hedges, changes in the fair value of the derivative are recognized directly in earnings in the period in which they occur.

**Per Share Data**

Basic earnings (loss) per share is determined by dividing net income (loss) applicable to holders of common stock for the applicable year by the weighted average number of shares of common stock outstanding during such year. Net income is also allocated to the unvested restricted stock outstanding during each period, as the restricted stock is entitled to receive dividends and is therefore considered a participating security. The RSU's 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 shares of common stock were exercised or converted into shares of common stock or resulted in the issuance of shares of common stock that share in the earnings of the Company. Diluted earnings per share is determined by dividing net income applicable to common stockholders for the applicable period by the weighted average number of shares of common stock deemed to be outstanding during such period.

In calculating diluted earnings per share, the Company includes only those shares underlying the RSU's that it anticipates will vest based on management's current estimates. The Company excludes any shares underlying the RSU's from such calculation if their effect would have been anti-dilutive.

**Cash Equivalents**

Cash equivalents consist of highly liquid investments; primarily, direct United States treasury obligations with maturities of three months or less when purchased.

**Restricted Cash**

Restricted cash consists of cash held for construction costs and property improvements for specific joint venture properties as may be required by contractual arrangements.

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 1—ORGANIZATION, BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Costs**

Fees and costs incurred in connection with multi-family property financings are deferred and amortized over the term of the related debt obligations. Fees and costs paid related to the successful negotiation of commercial leases are deferred and amortized on a straight-line basis over the terms of the respective leases.

**Use of Estimates**

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 and accompanying notes. Actual results could differ from those estimates.

**New Pronouncements**

In March 2020, the Financial Accounting Standard Board issued ASU 2020-04, Reference Rate Reform (Topic 848). ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, lease, derivatives and other contracts. This guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. During the first quarter of 2020, the Company has elected to apply hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

**NOTE 2—REAL ESTATE PROPERTIES**

Real estate properties, excluding a property held for sale in 2021 (see Note 7), consist of the following (dollars in thousands):

	December 31,	
	2021	2020
Land	\$ 38,822	\$ 25,585
Building	281,841	154,854
Building improvements	9,354	10,590
Real estate properties	330,017	191,029
Accumulated depreciation	(36,467)	(30,837)
Total real estate properties, net	<u>\$ 293,550</u>	<u>\$ 160,192</u>

A summary of activity in real estate properties, net for the year ended December 31, 2021 follows (dollars in thousands):

	December 31, 2020 Balance	Property Acquisitions	Improvements	Depreciation	Asset Sale	Held for Sale	December 31, 2021 Balance
Multi-family	\$ 153,604	\$ 160,583	\$ 1,308	\$ (7,116)	\$ (16,841)	\$ —	\$ 291,538
Land - Daytona, FL	4,379	—	—	—	—	(4,379)	—
Retail shopping center - Yonkers, NY/Other	2,209	—	—	(111)	(86)	—	2,012
Total real estate properties	<u>\$ 160,192</u>	<u>\$ 160,583</u>	<u>\$ 1,308</u>	<u>\$ (7,227)</u>	<u>\$ (16,927)</u>	<u>\$ (4,379)</u>	<u>\$ 293,550</u>

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 2—REAL ESTATE PROPERTIES (Continued)**

The following summarizes, by state, information for the year ended December 31, 2021 regarding consolidated properties (dollars in thousands):

Location	Number of Properties	Number of Units	2021 Rental and Other Revenue from Real Estate Properties	% of 2021 Rental and Other Revenue from Real Estate Properties
Georgia	2	448	\$ 6,723	21 %
Florida	1	276	4,594	14 %
South Carolina	2	474	4,402	14 %
Virginia	1	220	4,273	13 %
Texas (a)	1	192	3,895	12 %
Tennessee	2	702	3,413	11 %
Ohio	1	264	3,232	10 %
Other (b)	—	—	1,509	5 %
	<u>10</u>	<u>2,576</u>	<u>\$ 32,041</u>	<u>100 %</u>

(a) Includes the revenues of Kendall Manor which was sold in May 2021.

(b) Represents non-multi-family revenues

Future minimum rentals to be received pursuant to non-cancellable operating leases with terms in excess of one year, from a commercial property owned by the Company at December 31, 2021, are as follows (dollars in thousands):

Year Ending December 31,	Amount
2022	\$ 1,185
2023	1,252
2024	953
2025	648
2026	648
Thereafter	865
Total	<u>\$ 5,551</u>

Leases at the Company's multi-family properties are generally for a term of one year or less and are not reflected in this table.

**NOTE 3—ACQUISITIONS, DISPOSITIONS AND IMPAIRMENT CHARGES**

*Acquisitions of Interests in Joint Ventures*

In 2021, the Company purchased all of its partners' interests in three joint ventures. The Company determined that in each acquisition the gross assets acquired are concentrated in a single identifiable asset. Therefore, the transaction does not meet the definition of a business and is accounted for as an asset acquisition. The Company assessed the fair value of the tangible assets of the property as of the acquisitions dates using an income approach utilizing market capitalization rate of 4.75% which is a Level 3 unobservable input in the fair value hierarchy. The following table summarizes these purchases (dollars in thousands):

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 3—ACQUISITIONS, DISPOSITIONS AND IMPAIRMENT CHARGES**

Location	Purchase Date	No. of Units	Interest Purchased	Purchase Price	Mortgage Debt Assumed/ Acquired
Bells Bluff, Nashville, TN	8/18/2021	402	42.0 %	\$ 27,860	\$ 52,000
Crestmont at Thornblade, Greenville, SC	10/1/2021	266	10.0 %	1,600	26,425
Crossings of Bellevue, Nashville, TN	12/1/2021	300	20.0 %	16,128	37,680
		<u>968</u>		<u>\$ 45,588</u>	<u>\$ 116,105</u>

The following table summarizes the purchase price allocation of the book values of those properties that are now wholly owned and is based on the proportionate share of the estimated fair value of the property on the acquisition date (dollars in thousands):

	Bells Bluff	Crestmont at Thornblade	Crossings of Bellevue	Total
Land	\$ 6,172	\$ 4,033	\$ 9,679	\$ 19,884
Building and Improvements	77,532	34,052	29,115	140,699
Total Land and building	\$ 83,704	\$ 38,085	\$ 38,794	\$ 160,583
Acquisition related lease intangibles	1,597	818	730	3,145
Total Assets	<u>\$ 85,301</u>	<u>\$ 38,903</u>	<u>\$ 39,524</u>	<u>\$ 163,728</u>
Acquisition related mortgage intangible	—	\$ 2,641	—	\$ 2,641

The unamortized balance of acquisition related lease intangibles, which is included in Other assets in the consolidated balance sheet, was \$2,347,000 at December 31, 2021, and will be amortized within a one year period.

The unamortized balance of acquisition related mortgage intangible, which is included in mortgages payable in the consolidated balance sheet, was \$2,582,000 at December 31, 2021 and will be amortized as follows (dollars in thousands):

Year Ending December 31,	Amount
2022	\$ 365
2023	376
2024	386
2025	390
2026	395
Thereafter	670
Total	<u>\$ 2,582</u>

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 3—ACQUISITIONS, DISPOSITIONS AND IMPAIRMENT CHARGES (Continued)**

*Property Dispositions*

The tables below provide information regarding the Company's disposition of real estate properties during the year ended December 31, 2021 (dollars in thousands):

Location	Sale Date	No. of Units	Sales Price	Gain on Sale
Kendall Manor - Houston, TX	5/26/2021	272	\$ 24,500	\$ 7,279
New York, NY (1)	8/20/2021	1	545	414
		<u>273</u>	<u>\$ 25,045</u>	<u>\$ 7,693</u>

(1) Reflects the sale of a cooperative apartment unit.

The Company did not dispose of any real estate properties during the year ended December 31, 2020.

*Impairment Charges*

The Company reviews each real estate asset owned, including those held through investments in unconsolidated joint ventures, for impairment when there is an event or a change in circumstances indicating that the carrying amount may not be recoverable.

The Company measures and records impairment charges, and reduces the carrying value of owned properties, when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. For its unconsolidated joint venture investments, the Company measures and records impairment losses, and reduces the carrying value of the equity investment when indicators of impairment are present and the expected discounted cash flows related to the investment is less than the carrying value.

In cases where the Company does not expect to recover its carrying value on properties held for use, the Company reduces its carrying value to fair value, and for properties held for sale, the Company reduces its carrying value to the fair value less costs to sell.

In the year ended December 31, 2021, the Company took an impairment charge of \$520,000 related to its investment in OPOP Tower and OPOP Loft properties, St Louis, MO, as the carrying value exceeded the fair value by that amount. The fair value is based upon the sale price at which the Company contracted to sell this joint venture interest. This investment was sold in 2021 and no further impairments were recorded.

In the year ended December 31, 2020, indicators of impairment were present on a 8.7 acre vacant land parcel located in South Daytona Beach, Florida. The Company had entered into a contract to sell this property at a sales price less than its carrying value and accordingly, the Company took an impairment charge related to this asset of \$3,642,000, representing the excess of the carrying value over the fair value. This property was sold on February 2, 2022 and no further impairments were recorded.

**NOTE 4—RESTRICTED CASH**

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

**NOTE 5 - LEASES**

*Lessor Accounting*

The Company owns one commercial rental property which is leased to two tenants under operating leases with current expirations ranging from 2024 to 2028, with options to extend or terminate the leases. Revenues from such leases are reported

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 5 - LEASES (Continued)**

as rental income, net, and are comprised of (i) lease components, which includes fixed lease payments and (ii) non-lease components which includes reimbursements of property level operating expenses. The Company does not separate non-lease components from the related lease components, as the timing and pattern of transfer are the same, and account for the combined component in accordance with ASC 842.

Due to the impact of the COVID-19 pandemic, concession agreements were entered into with the Company's two commercial tenants. In accordance with the FASB Staff Q&A, Topic 842 and 840 - Accounting for Lease Concessions Related to the Effects of COVID-19 Pandemic, a lessor may make an accounting policy election to (i) not evaluate whether such COVID-19 pandemic related rent-relief is a lease modification under ASC 842 and (ii) treat each tenant rent deferral or forgiveness as if it were contemplated as part of the existing lease contract. The Company elected to apply this accounting policy to the two lease agreements, based on the type of concessions provided to the tenants, where the revised cash flows are substantially the same or less than the original lease agreement. During the year ended December 31, 2020, the Company issued total abatements of \$75,000 for the two tenants.

*Lessee Accounting*

The Company is a lessee under a ground lease in Yonkers, NY which is classified as an operating lease. The ground lease expires September 30, 2024 and provides for one 21-year renewal option. As of December 31, 2021, the remaining lease term, including the renewal option, is 23.8 years.

The Company is also a lessee under a corporate office lease in Great Neck, New York, which is classified as an operating lease. The lease expires on December 31, 2031 and provides a 5-year renewal option. As of December 31, 2021, the remaining lease term, including renewal options deemed exercised, is 15.0 years.

As of December 31, 2021, the Company's right-of-use ("ROU") assets and lease liabilities were \$2,568,000 and \$2,629,000, respectively and as of December 31, 2020, the Company's ROU assets and lease liabilities were \$2,652,000 and \$2,674,000, respectively. The ROU assets and lease liabilities are reported on the consolidated balance sheets in Other assets and Accounts payable and accrued liabilities, respectively.

The discount rate applied to measure each ROU asset and lease liability is based on the Company's incremental borrowing rate ("IBR"). The Company considers the general economic environment and its historical borrowing rate activity and factors in various financing and asset specific adjustments to ensure the IBR is appropriate to the intended use of the underlying lease. As the Company did not elect to apply the hindsight practical expedient, lease term assumptions determined under ASC 840 were carried forward and applied in calculating the lease liabilities recorded under ASC 842. The Company's ground lease offers a renewal option which it assesses against relevant economic factors to determine whether it is reasonably certain of exercising or not exercising the option. Lease payments associated with renewal periods that the Company is reasonably certain will be exercised, if any, are included in the measurement of the corresponding lease liability and ROU asset.

As of December 31, 2021, the minimum future lease payments related to the operating ground and office leases are as follows (dollars in thousands):

Year Ending December 31,	Amount
2022	\$ 232
2023	236
2024	243
2025	252
2026	257
Thereafter	3,502
Total undiscounted cash flows	\$ 4,722
Present value discount	(2,093)
Lease liability	\$ 2,629

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 6—INVESTMENT IN UNCONSOLIDATED VENTURES**

At December 31, 2021, the Company owns interests in unconsolidated joint ventures that own 23 multi-family properties (the "Unconsolidated Properties"). The condensed balance sheet below presents information regarding such properties (dollars in thousands):

	December 31,	
	2021	2020
<b>ASSETS</b>		
Real estate properties, net of accumulated depreciation of \$133,615 and \$145,600	\$ 734,247	\$ 1,075,178
Cash and cash equivalents	13,741	16,939
Other Assets	25,535	29,392
Total Assets	<u>\$ 773,523</u>	<u>\$ 1,121,509</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Mortgages payable, net of deferred costs of \$3,423 and \$5,537	\$ 584,479	\$ 829,646
Accounts payable and accrued liabilities	17,064	20,237
Total Liabilities	601,543	849,883
Commitments and contingencies		
Equity:		
Total unconsolidated joint venture equity	171,980	271,626
Total Liabilities and Equity	<u>\$ 773,523</u>	<u>\$ 1,121,509</u>
Company equity interest in all joint venture equity	<u>\$ 112,347</u>	<u>\$ 169,474</u>

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 6—INVESTMENT IN UNCONSOLIDATED VENTURES (Continued)**

The condensed income statement below presents information regarding the Unconsolidated Properties (dollars in thousands):

	<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>		
Rental and other revenue	\$ 121,906	\$ 127,058
Total revenues	121,906	127,058
<b>Expenses:</b>		
Real estate operating expenses	56,507	60,326
Interest expense	30,964	34,918
Depreciation	35,636	41,657
Total expenses	123,107	136,901
Total revenues less total expenses	(1,201)	(9,843)
Other equity earnings	54	117
Impairment of assets	(2,813)	—
Insurance recoveries	2,813	—
Gain on insurance recoveries	2,179	765
Gain on sale of real estate properties	83,984	—
Loss on extinguishment of debt	(9,401)	—
Net income (loss) from joint ventures	<u>\$ 75,615</u>	<u>\$ (8,961)</u>
BRT equity in loss and equity in earnings from sale of unconsolidated joint venture properties	<u>\$ 30,774</u>	<u>\$ (6,024)</u>

Acquisitions

In 2021, the Company did not make any acquisitions through unconsolidated joint ventures.

The table below provides information regarding the Company's property acquisition through an unconsolidated joint venture during the year ended December 31, 2020 (dollars in thousands):

<b>Location</b>	<b>Purchase Date</b>	<b>No. of Units</b>	<b>Purchase Price</b>	<b>Acquisition Mortgage Debt</b>	<b>Initial BRT Equity</b>	<b>Ownership Percentage</b>	<b>Capitalized Property Acquisition Costs</b>
Abbotts Run, Wilmington, NC	2/20/2020	264	\$ 38,000	\$ 23,160	\$ 13,700	80 %	\$ 459

On March 10, 2022 we acquired for \$3,500,000 a 17.45% interest in a planned 240-unit development property located in Johns Island, SC.

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 6—INVESTMENT IN UNCONSOLIDATED VENTURES (Continued)**

Dispositions

The table below provides information regarding the disposition of real estate properties by an unconsolidated joint venture in the year ended December 31, 2021 (dollars in thousands):

Location	Sale Date	No. of Units	Sales Price	BRT's Share of Gain on Sale	Partner's Share of Gain on Sale	BRT Share of Loss of Extinguishment of Debt
Avenue Apts, Ocoee, FL	7/20/2021	522	\$ 107,661	\$ 19,518	\$ 20,150	\$ 4,474
Parc at 980, Lawrenceville, GA	7/28/2021	586	118,250	15,464	28,852	107
		1,108	\$ 225,911	\$ 34,982	\$ 49,002	\$ 4,581

There were no sales of properties by unconsolidated joint ventures in the year ended December 31, 2020.

On February 8, 2022, the unconsolidated joint venture in which we have a 65% equity interest sold The Veranda at Shavano, a 288-unit multi-family property in San Antonio, Texas, for a sales price of \$53,800,000. We estimate that the gain on the sale of this property will be approximately \$23,700,000 and that our share of the gain, which will be recognized in the first quarter of 2022, will be approximately \$12,700,000. This property was secured by \$25,100,000 of mortgage debt with 1.4 years years of remaining term to maturity and bearing an interest rate of 3.61% which was repaid in connection with the sale.

The table below provides information regarding the sale of venture interests to our joint venture partners in the year ended December 31, 2021:

Location	Sale Date	No. of Units	Sales Price	BRT's Share of Gain on Sale
Anatole, Daytona Beach, FL	4/20/2021	208	\$ 7,540	\$ 2,244
OPOP Tower and Lofts, St. Louis, MO	11/4/2021	181	3,000	388
		389	\$ 10,540	\$ 2,632

There were no sales of interest in joint ventures in the year ended December 31, 2020.

Joint Venture Buyouts

In 2021, the Company purchased its venture partners' remaining interests in three joint ventures that own three properties and increased its ownership interest in a fourth joint venture that owns two properties. The operations and accounts of the three joint ventures which, as a result of such purchases, are wholly-owned by the Company are consolidated into the operations and accounts of the Company as of their respective acquisition dates. The table below provides information regarding these four acquisitions (dollars in thousands):

Location	Buyout Date	No. of Units	Percentage of Interest Purchased	Purchase Price	New Ownership Percentage	Mortgage Balance at Acquisition
Civic Center I/II, Southaven, MS	5/4/2021	776	14.7 %	\$ 6,031	74.7 %	N/A
Bells Bluff, West Nashville, TN	8/18/2021	402	41.9 %	27,860	100 %	\$ 52,000
Crestmont at Thornblade, Greenville, SC	10/1/2021	266	10.0 %	1,600	100 %	26,425
Crossings of Bellevue, Nashville, TN	12/1/2021	300	20.0 %	16,128	100 %	37,680
		1,744		\$ 51,619		\$ 116,105

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**NOTE 7—REAL ESTATE PROPERTY HELD FOR SALE**

In September 2020, the Company entered into a contract to sell a vacant parcel of land located in South Daytona Beach, FL for \$4,700,000 with a net book value of \$4,379,000. The buyer's right to terminate the contract expired on November 1, 2021. At December 31, 2021, the Company reclassified the net book value of the land as Real estate property held-for-sale in the accompanying balance sheet. The property was sold on February 2, 2022.

**NOTE 8—DEBT OBLIGATIONS**

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

	December 31,	
	2021	2020
Mortgages payable	\$ 200,857	\$ 130,997
Junior subordinated notes	37,400	37,400
Deferred loan costs	(1,277)	(880)
Total debt obligations	<u>\$ 236,980</u>	<u>\$ 167,517</u>

A summary of activity in property debt for the year ended December 31, 2021 is as follows (dollars in thousands):

Balance at December 31, 2020	\$ 130,434
Acquisitions	116,105
Fair value adjustment upon consolidation	2,582
Debt payoff in conjunction with property sales	(14,260)
Debt Payoff	(31,879)
Principal Amortization	(2,688)
Changes in Deferred Fees	(417)
Balance at December 31, 2021	<u>\$ 199,877</u>

At December 31, 2021, \$200,857,000 of mortgage debt with a weighted average interest rate of 3.78% and a weighted average term to maturity of 10.1 years is outstanding on eight of the Company's multi-family properties. Scheduled principal repayments for the next five years and thereafter are as follows (dollars in thousands):

Year Ending December 31,	Scheduled Principal Payments
2022	\$ 31,355
2023	1,679
2024	2,095
2025	17,467
2026	1,904
Thereafter	146,357
	<u>\$ 200,857</u>

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
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**NOTE 8—DEBT OBLIGATIONS (Continued)**

The Company incurred the following mortgage debt in connection with the purchase of its venture partners' interests in the year ended December 31, 2021 (dollars in thousands):

Location	Acquisition Date	Mortgage balance at acquisition	Interest Rate	Maturity Date
Bells Bluff - West Nashville, TN	8/18/2021	\$ 52,000	3.48 %	August 2041
Crestmont at Thornblade - Greenville, SC	10/1/2021	26,425 (a)	4.69 %	November 2028
Crossings - Nashville, TN	12/1/2021	37,680	3.11 %	December 2031
		<u>\$ 116,105</u>		

(a) Debt assumed in connection with the purchase of the joint venture partner's remaining interest in the venture does not include purchase price allocation of \$2,642 related to this debt.

The Company paid off the following debt in the year ended December 31, 2021 (dollars in thousands):

	Mortgage Payoff	Interest Rate	Maturity Date	Prepayment Charges
Avalon - supplemental	\$ 2,903	4.92 %	3/1/2022	\$ 29
Avondale Station	7,140	3.74 %	12/1/2022	376
Avondale Station - supplemental	6,866	5.53 %	12/1/2022	277
Woodland Trails	14,025	4.36 %	2/1/2022	140
RIPCO	945	5.25 %	4/1/2022	—
Total debt paid	<u>\$ 31,879</u>			<u>\$822</u>

In connection with the pay off of the RIPCO debt, the Company terminated the interest rate swap associated with this debt.

The Company did not incur any debt in the year ended December 31, 2020.

Credit Facility

The Company entered into an amended and restated credit facility dated November 18, 2021 with an affiliate of Valley National Bank ("VNB"). The facility allows the Company to borrow, subject to compliance with borrowing base requirements and other conditions, up to \$35,000,000 to facilitate the acquisition of multi-family properties, repay mortgage debt secured by multi family properties and for operating expense (*i.e.*, working capital (including dividend payments)); provided that no more than \$15,000,000 may be used for operating expenses. The facility is secured by the cash available in certain cash accounts maintained by the Company at VNB and the Company's pledge of its interests in the entities that own the unencumbered properties used in calculating the borrowing base. The facility matures November 2024 and bears an adjustable interest rate of 25 basis points over the prime rate, with a floor of 3.50%. The interest rate in effect as of December 31, 2021 is 3.50%. There is an unused facility fee of 0.25% per annum on the total amount committed by VNB and unused by the Company. At December 31, 2021, the Company is in compliance in all material respects with its obligations under the facility.

At December 31, 2021 and 2020, there was no outstanding balance on the facility and \$35,000,000 and \$15,000,000, respectively, was available to be borrowed. Interest expense for the years ended December 31, 2021 and 2020, which includes amortization of deferred financing costs and unused fees, was \$101,000 and \$96,000, respectively. Deferred costs of \$270,000 and \$12,000 are recorded in other assets on the consolidated balance sheets at December 31, 2021 and 2020, respectively.

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**NOTE 8—DEBT OBLIGATIONS (Continued)**

*Junior Subordinated Notes*

At December 31, 2021 and 2020, the outstanding principal balance of the Company's junior subordinated notes was \$37,400,000 before deferred financing costs of \$297,000 and \$317,000, respectively. The interest rate on the outstanding balance resets quarterly and is based on three month LIBOR + 2.00%. The rate in effect at December 31, 2021 and 2020 was 2.13% and 2.21% respectively. The notes mature April 30, 2036.

The notes require interest only payments through the maturity date, at which time repayment of all outstanding principal and unpaid interest is due. Interest expense for the years ended December 31, 2021 and 2020, which includes amortization of deferred costs, was \$845,000 and \$1,119,000, respectively.

**NOTE 9—INCOME TAXES**

The Company elected to be taxed as a REIT pursuant to the Code. As a REIT, the Company is generally not subject to Federal income taxes at the corporate level if it distributes 100% of its REIT taxable income, as defined, to its stockholders. To maintain its REIT status, the Company must distribute at least 90% of its ordinary taxable income; however, if it does not distribute 100% of its taxable income, it will be taxed on undistributed income. There are a number of organizational and operational requirements the Company must meet to remain a REIT. If the Company fails to qualify as a REIT in any taxable year, its taxable income will be subject to Federal income tax at regular corporate tax rates and it may not be able to qualify as a REIT for four subsequent tax years. Even if it is qualified as a REIT, the Company is subject to certain state and local income taxes and to Federal income and excise taxes on undistributed taxable income. For income tax purposes, the Company reports on a calendar year basis. As of December 31, 2021, tax returns for the calendar years 2018 through 2020 remain subject to examination by the Internal Revenue Service and various state and local tax jurisdictions.

During the years ended December 31, 2021 and 2020, the Company recorded \$206,000 and \$248,000, respectively, of state franchise tax expense, net of refunds, relating to the 2021 and 2020 calendar years.

Earnings and profits, which determine the taxability of dividends to stockholders, differs from net income reported for financial statement purposes due to various items, including timing differences related to loan loss provisions, impairment charges, depreciation methods and carrying values.

At December 31, 2021, it is estimated the Company had a net operating loss carryforward of \$26,500,000. These net operating losses may be available in future years to reduce taxable income when and if it is generated. These loss carryforwards no longer expire and are available to offset 100% of taxable income. Net operating losses generated in 2018 and thereafter will be available to offset 80% of taxable income.

**NOTE 10—STOCKHOLDERS' EQUITY**

*Common Stock Dividend Distribution*

During the years ended December 31, 2021 and 2020, the Company declared an aggregate of \$0.90 and \$0.88 per share in cash dividends, respectively.

*Stock Based Compensation*

In 2020, the Company's board of directors adopted and the stockholders' approved the 2020 Incentive Plan (the "2020 Plan"). This plan permits the Company to grant: (i) stock options, restricted stock, restricted stock units, performance shares awards and any one or more of the foregoing, up to a maximum of 1,000,000 shares; and (ii) cash settled dividend equivalent rights in tandem with the grant of restricted stock units and certain performance based awards.

Each of the Company's 2018 Incentive Plan (the "2018 Plan") and the Amended and Restated 2016 Incentive Plan (the "2016 Plan") authorized the Company to grant up to 600,000 shares of common stock pursuant to the same type of awards available under the 2020 Plan. No further awards may be granted pursuant to the 2018 Plan or the 2016 Plan, which are referred to collectively as the "Prior Plans."

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**NOTE 10—STOCKHOLDERS' EQUITY (Continued)**

***Restricted Stock Units***

In March 2021, pursuant to the 2020 Plan, the Company issued restricted stock units (the "RSUs") to acquire up to 210,375 shares of common stock. The RSUs entitle the recipients, subject to continued service through March 31, 2024 (the "Performance Period"), to receive in the aggregate (i) up to 93,500 shares (the "TSR Award") of common stock based on achieving, during the Performance Period, specified levels in compounded annual growth rate ("CAGR") in total stockholder return ("TSR"), and (ii) up to 93,500 shares of common stock based on achieving, during the Performance Period, specified levels in CAGR in adjusted funds from operations (the "AFFO Award"), in each case as determined pursuant to the performance agreement. In addition, up to 23,375 shares (the "Adjustment Award") may be added to or subtracted from the TSR Award, based on attaining or failing to attain, as the case may be, during the Performance Period, of CAGR in TSR relative to the CAGR in TSR for the REITs that comprise, with specified exceptions, the FTSE NAREIT Equity Apartment Index. The recipients also receive dividend equivalent rights entitling them to receive cash dividends with respect to the shares of common stock underlying their RSUs as if the underlying shares were outstanding during the Performance Period, if, when, and to the extent, the related RSUs vest. The shares underlying the RSU's are not participating securities but are contingently issuable shares.

For the TSR Awards, a third party appraiser prepared a Monte Carlo simulation pricing model to assist management in determining fair value. In preparing its simulation, the appraiser assumed an estimated life of three years, a dividend rate of 4.93%, a risk free interest rate ranging from 0.02% to 0.34% and an expected price volatility ranging from 47.19% to 59.01%. For the AFFO Awards, fair value is based on the market value on the date of grant. Expense is not recognized on RSUs which the Company does not expect to vest because the performance conditions are not expected to be satisfied. Performance assumptions are re-evaluated quarterly. The total amount recorded at the grant date as deferred compensation with respect to the RSUs was \$1,995,000.

In June 2016, the Company issued RSUs to acquire up to 450,000 shares of common stock, pursuant to the 2016 Plan. In 2021, it was determined that the market conditions with respect to 250,000 shares underlying RSU's issued under the 2016 Plan had been satisfied; such shares with an aggregate market value of \$4,200,000 as of the measurement date, were issued and an aggregate of \$775,000 of RSU dividend equivalents were paid. It was also determined that the performance conditions with respect to 200,000 shares underlying RSU's under the 2016 Plan had not been satisfied and accordingly, the 200,000 RSU's did not vest.

The Company recorded \$620,000 and \$140,000 of compensation expense related to the amortization of unearned compensation with respect to the RSUs in the year ended December 31, 2021 and 2020 respectively. At December 31, 2021 and 2020, \$2,248,000 and \$37,000 had been deferred as unearned compensation and is to be charged to expense over the balance of the applicable performance period.

***Restricted Stock***

In January 2021 and June 2021, the Company granted 156,774 shares and 160,000 shares, respectively, of restricted stock pursuant to the 2020 Plan. As of December 31, 2021, an aggregate of 922,619 shares of unvested restricted stock are outstanding pursuant to the Plan and the Prior Plans. The shares of restricted stock vest five years from the date of grant and under specified circumstances, including a change in control, may vest earlier. For financial statement purposes, the restricted stock is not included in the outstanding shares shown on the consolidated balance sheets until they vest, but are included in the basic and diluted earnings per share computation. During the years ended December 31, 2021 and 2020, the Company recorded \$2,321,000 and \$1,681,000, respectively, of compensation expense related to the amortization of unearned compensation with respect to the restricted stock awards. At December 31, 2021 and 2020, \$7,332,000 and \$4,411,000, respectively, 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 restricted shares is 2.8 years. Subsequent to December 31, 2021, the Company granted 158,973 shares of restricted stock pursuant to the 2020 Plan. Changes in the number of restricted shares outstanding under the Company's equity incentive plans are shown below:

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**NOTE 10—STOCKHOLDERS' EQUITY (Continued)**

	Year Ended December 31,	
	2021	2020
Outstanding at beginning of the year	744,145	725,296
Issued	316,774	158,299
Cancelled	(950)	—
Vested	(137,350)	(139,450)
Outstanding at the end of the year	<u>922,619</u>	<u>744,145</u>

The following table reflects the compensation expense recorded for all incentive plans (dollars in thousands):

	Year Ended December 31,	
	2021	2020
Restricted stock grants	\$ 2,321	\$ 1,681
Restricted stock units	620	140
Total compensation	<u>\$ 2,941</u>	<u>\$ 1,821</u>

**Earnings Per Share**

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

	Year Ended December 31,	
	2021	2020
Numerator for basic and diluted earnings per share:		
Net income (loss)	\$ 29,250	\$ (19,732)
Deduct (earnings) attributable to non-controlling interests	(136)	(130)
Deduct (earnings) loss allocated to unvested restricted stock	(1,412)	1,520
Net income (loss) available for common stockholders: basic and diluted	<u>\$ 27,702</u>	<u>\$ (18,342)</u>
Denominator for basic earnings per share:		
Weighted average number of common shares outstanding	17,017,690	17,115,697
Effect of dilutive securities:		
RSUs (1)	66,952	—
Denominator for diluted earnings per share:		
Weighted average number of shares	<u>17,084,642</u>	<u>17,115,697</u>
Earnings (loss) per common share, basic	<u>\$ 1.63</u>	<u>\$ (1.16)</u>
Earnings (loss) per common share, diluted	<u>\$ 1.62</u>	<u>\$ (1.16)</u>

(1) For the year ended December 31, 2020, excludes the shares underlying RSUs as their effect would have been anti-dilutive.

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**NOTE 10—STOCKHOLDERS' EQUITY (Continued)**

***Equity Distribution Agreements***

The following table reflects the sale of shares pursuant to the equity distribution agreements entered into on November 26, 2019, as amended, with three sales agents in an at-the-market offering (dollars in thousands):

	Number of Shares Sold	Average Price	Gross Proceeds	Commissions and Fees	Net Proceeds	Dollar Value of Shares Sold
Aggregate amount available under agreement						\$ 30,000
2019	111,963	\$ 18.06	\$ 2,022	\$ 31	\$ 1,991	(2,022)
2020	694,298	\$ 17.71	12,293	185	\$ 12,108	(12,293)
2021	529,126	\$18.47	9,772	147	\$ 9,625	(9,772)
	1,335,387		\$ 24,087	\$ 363	\$ 23,724	
Remaining amount available under agreement:						<u>\$ 5,913</u>

Subsequent to year end, the Company sold an additional 200,000 shares and received net proceeds of \$2,173,000.

***Stock Buyback***

Effective as of October 1, 2019, the Board of Directors authorized the Company to purchase up to \$5,000,000 of shares of common stock through September 30, 2021. During the year ended December 31, 2020, the Company repurchased 39,093 shares of common stock, at an average market price of \$15.76 for an aggregate cost of \$616,000. No other shares were repurchased under this authorization.

On September 13, 2021, the Board of Directors approved a stock purchase plan authorizing the Company, effective as of October 1, 2021, to repurchase up to \$5,000,000 of shares of common stock through December 31, 2023. During the year ended December 31, 2021, the Company did not repurchase any shares of common stock.

**NOTE 11—RELATED PARTY TRANSACTIONS**

The Company has retained certain of its executive officers and Fredric H. Gould, a director, to provide, among other things, the following services: participating in the Company's multi-family property analysis and approval process (which includes service on an investment committee), providing investment advice, long term planning and consulting with executives and employees with respect to other business matters, as required. The aggregate fees paid in 2021 and 2020 for these services were \$1,398,000 and \$1,398,000, respectively.

Management of certain properties owned by the Company and certain joint venture properties is provided by Majestic Property Management Corp. ("Majestic Property"), a company wholly owned by Fredric H. Gould, under renewable year-to-year agreements. Certain of the Company's officers and directors are also officers and directors of Majestic Property. Majestic Property provides real property management, real estate brokerage and construction supervision services to these properties. For the years ended December 31, 2021 and 2020, fees for these services were \$31,000 and \$32,000, respectively.

Pursuant to a shared services agreement between the Company and several affiliated entities, including Gould Investors L.P., the owner and operator of a diversified portfolio of real estate and other assets and One Liberty Properties, Inc., a NYSE listed equity REIT, the (i) services of the part time personnel that perform certain executive, administrative, legal, accounting and clerical functions and (ii) certain facilities and other resources, are provided to the Company. The allocation of expenses for the facilities, personnel and other resources shared by, among others, the Company and Gould Investors, is computed in accordance with such agreement and is included in general and administrative expense on the consolidated statements of operations. During the years ended December 31, 2021 and 2020 allocated general and administrative expenses reimbursed by the Company to Gould Investors pursuant to the shared services agreement aggregated \$641,000 and \$761,000, respectively. Fredric H. Gould is executive officer and sole stockholder of Georgetown Partners, LLC, the managing general partner of Gould Investors L.P. ("Gould Investors"). Mr. Gould is also the vice chairman of the board of directors of One Liberty

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**NOTE 11—RELATED PARTY TRANSACTIONS (Continued)**

Properties and certain of the Company's officers and directors are also officers or directors of One Liberty Properties and Georgetown Partners. As of December 31, 2021 and 2020, \$118,000 and \$124,000, respectively, remains unpaid and is included in accounts payable and accrued liabilities on the consolidated balance sheets.

The Company obtains certain insurance in conjunction with Gould Investors and reimburses Gould Investors for the Company's share of the insurance cost. Insurance reimbursements to Gould Investors for the years ended December 31, 2021 and 2020 were \$61,000 and \$39,000, respectively.

**NOTE 12—FAIR VALUE OF FINANCIAL INSTRUMENTS**

*Financial Instruments Not Measured at Fair Value*

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

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

*Junior subordinated notes:* At December 31, 2021 and 2020, the estimated fair value of the Company's junior subordinated notes is less than their carrying value by approximately \$8,296,000 and \$8,670,000, respectively, based on market interest rates of 4.21% and 4.22%, respectively.

*Mortgages payable:* At December 31, 2021, the estimated fair value of the Company's mortgages payable is less than their carrying value by approximately \$511,000, assuming market interest rates between 3.12% and 3.87%. At December 31, 2020, the estimated fair value was greater than the carrying value by \$3,831,000, assuming market interest rates between 2.87% and 3.28%. Market interest rates were determined using current financing transaction information provided by third party institutions.

Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value assumptions. The fair values of debt obligations are considered to be Level 2 valuations within the fair value hierarchy.

*Financial Instruments Measured at Fair Value*

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

At December 31, 2021, the Company had no financial assets or liabilities measured at fair value.

Set forth below is information regarding the Company's financial liabilities measured at fair value as of December 31, 2020 (dollars in thousands):

	Carrying and Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Financial Liabilities:				
Interest rate swap	\$ 23	—	\$ 23	—

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
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**NOTE 12—FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

*Derivative financial instruments:* Fair values are approximated using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, and implied volatilities. At December 31, 2020, this derivative is included in Accounts payable and accrued liabilities on the consolidated balance sheet.

Although the Company has determined that the majority of the inputs used to value its derivative fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with it utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparty. As of December 31, 2020, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative position and determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company determined that its derivative valuation is classified in Level 2 of the fair value hierarchy.

Long-lived assets

The Company measures its real estate investments at fair value on a nonrecurring basis. During the year ended December 31, 2021, the fair value of the real estate investment was determined using the following input levels (dollars in thousands):

	Carrying and Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Non-Financial Assets:				
Investment in unconsolidated joint venture	\$ 3,000	\$ —	\$ 3,000	\$ —

During the year ended December 31, 2020, the fair value of the real estate investment was determined using the following input levels (dollars in thousands):

	Carrying and Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Non-Financial Assets:				
Long-lived assets	\$ 4,379	\$ —	\$ —	\$ 4,379

The Company reviews its investments in real estate when events or circumstances change indicating the carry value of the investment may not be recoverable. In the evaluation of an investment for impairment, many factors are considered, including estimated current and expected cash flows from the asset during the projected hold period, costs necessary to extend the life of the asset, expected capitalization rates, and projected stabilized net operating income and the ability to hold or dispose of the asset in the ordinary course of business.

Quantitative information about Level 2 measurements is as follows:

	Fair Value	Valuation Technique	Significant Unobservable Inputs
Non-Financial Assets: Long-Lived assets:			
OPOP Tower and Lofts, St. Louis, MO	\$ 3,000	Sales Contract	Sales Contract

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**NOTE 12—FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Quantitative information about Level 3 measurements is as follows:

	Fair Value	Valuation Technique	Significant Unobservable Inputs
Non-Financial Assets: Long-Lived assets:			
Vacant land - South Daytona Beach, FL	\$ 4,379	Discounted cash flow	Non-binding sales contract /Discount rate 12.5%

**NOTE 13—COMMITMENT AND CONTINGENCIES**

The Company maintains a non-contributory defined contribution pension plan covering eligible employees and officers. Contributions by the Company are made through a money purchase plan, based upon a percent of qualified employees' total salary as defined therein. Pension expense approximated \$423,000 and \$386,000 during the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, \$23,000 and \$186,000, respectively, remains unpaid and is included in accounts payable and accrued liabilities on the consolidated balance sheets.

At December 31, 2021, the Company is the carve-out guarantor with respect to mortgage debt in principal amount of \$189,290,000 at seven multi-family properties.

**NOTE 14—DERIVATIVE FINANCIAL INSTRUMENTS**

*Cash Flow Hedges of Interest Rate Risk*

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

The changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

As of December 31, 2021, the Company did not have any outstanding interest rate derivatives that was designated as a cash flow hedge of interest rate risk (dollars in thousands):

*Non-designated Derivatives*

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. At December 31, 2020, the Company did not have any outstanding derivatives that were not designated as hedges in qualifying hedging relationships.

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

Derivatives as of:			
December 31, 2021		December 31, 2020	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Other Assets	\$ —	Other assets	\$ —
Accounts payable and accrued liabilities	\$ —	Accounts payable and accrued liabilities	\$ 23

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**NOTE 14—DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

The following table presents the effect of the Company's derivative financial instrument on the consolidated statements of comprehensive income (loss) for the years ended December 31, 2021 and 2020 and (dollars in thousands):

	Year Ended December 31,	
	2021	2020
Amount of loss recognized on derivative in Other Comprehensive Income	\$ (1)	\$ (27)
Amount of (loss) gain reclassified from Accumulated Other Comprehensive (loss) income into Interest Expense	\$ (12)	\$ (15)
Total amount of Interest expense presented in the Consolidated Statement of Operations	\$ 6,757	\$ 7,100

During the year ended December 31, 2021, the Company accelerated the reclassification of losses of \$12,000 from other comprehensive income to earnings as a result of the hedged forecasted transaction becoming probable not to occur.

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 15—QUARTERLY FINANCIAL DATA (Unaudited)**

	2021				
	1st Quarter Jan - March	2nd Quarter April - June	3rd Quarter July - September	4th Quarter Oct - Dec	Total For Year
<b>Revenues:</b>					
Rental and other revenue	\$ 7,095	\$ 6,958	\$ 7,709	\$ 10,279	\$ 32,041
Other income	4	3	5	4	16
Total revenues	7,099	6,961	7,714	10,283	32,057
<b>Expenses:</b>					
Real estate operating expenses	3,117	3,166	3,404	4,515	14,202
Interest expense	1,660	1,609	1,535	1,953	6,757
General and administrative	3,114	3,154	3,114	3,239	12,621
Impairment charge	—	520	—	—	520
Depreciation	1,537	1,416	1,787	3,285	8,025
Total expenses	9,428	9,865	9,840	12,992	42,125
Total revenues less total expenses	(2,329)	(2,904)	(2,126)	(2,709)	(10,068)
Equity in loss of unconsolidated joint ventures	(1,345)	(492)	(4,196)	1,825	(4,208)
Equity in earnings from sale of unconsolidated joint venture properties	—	—	34,982	—	34,982
Gain on sale of real estate	—	7,279	414	—	7,693
Gain on sale of partnership interest	—	2,244	—	388	2,632
Loss on extinguishment of debt	—	—	(902)	(673)	(1,575)
Loss from continuing operations	(3,674)	6,127	28,172	(1,169)	29,456
Provision for taxes	57	67	31	51	206
(Loss) income from continuing operations, net of taxes	(3,731)	6,060	28,141	(1,220)	29,250
(Income) attributable to non-controlling interests	(34)	(33)	(35)	(34)	(136)
Net (loss) income attributable to common stockholders	\$ (3,765)	\$ 6,027	\$ 28,106	\$ (1,254)	29,114
<b>Basic and diluted and per share amounts attributable to common stockholders</b>					
Basic (loss) income per share	\$ (0.22)	\$ 0.34	\$ 1.55	\$ (0.08)	\$ 1.63
Diluted (loss) income per share	\$ (0.22)	\$ 0.34	\$ 1.54	\$ (0.08)	\$ 1.62

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 15—QUARTERLY FINANCIAL DATA (Unaudited) (Continued)**

	2020				
	1st Quarter Jan - March	2nd Quarter April - June	3rd Quarter July - September	4th Quarter Oct - Dec	Total For Year
<b>Revenues:</b>					
Rental and other revenue	\$ 6,745	\$ 6,657	\$ 7,020	\$ 7,029	\$ 27,451
Other income	179	159	293	20	651
Total revenues	6,924	6,816	7,313	7,049	28,102
<b>Expenses:</b>					
Real estate operating expenses	3,058	3,004	3,289	3,026	12,377
Interest expense	1,860	1,809	1,731	1,700	7,100
General and administrative	3,367	2,957	2,730	2,647	11,701
Impairment charge	—	—	3,642	—	3,642
Depreciation	1,561	1,809	1,777	1,595	6,742
Total expenses	9,846	9,579	13,169	8,968	41,562
Total revenues less total expenses	(2,922)	(2,763)	(5,856)	(1,919)	(13,460)
Equity in (loss) of unconsolidated joint ventures	(1,815)	(1,387)	(1,529)	(1,293)	(6,024)
Equity in earnings from sale of unconsolidated joint venture properties	—	—	—	—	—
Gain on sale of real estate	—	—	—	—	—
Loss on extinguishment of debt	—	—	—	—	—
Income (loss) from continuing operations	(4,737)	(4,150)	(7,385)	(3,212)	(19,484)
Provision for taxes	62	65	65	56	248
(Loss) income from continuing operations, net of taxes	(4,799)	(4,215)	(7,450)	(3,268)	(19,732)
Net (income) attributable to non-controlling interests	(32)	(31)	(34)	(33)	(130)
Net (loss) income attributable to common stockholders	<u>\$ (4,831)</u>	<u>\$ (4,246)</u>	<u>\$ (7,484)</u>	<u>\$ (3,301)</u>	<u>\$ (19,862)</u>
<b>Basic and diluted per share amounts attributable to common stockholders</b>					
Basic loss per share	<u>\$ (0.29)</u>	<u>\$ (0.25)</u>	<u>\$ (0.44)</u>	<u>\$ (0.19)</u>	<u>\$ (1.16)</u>
Diluted loss per share	<u>\$ (0.29)</u>	<u>\$ (0.25)</u>	<u>\$ (0.44)</u>	<u>\$ (0.19)</u>	<u>\$ (1.16)</u>

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

**NOTE 16—SUBSEQUENT EVENTS**

Subsequent events have been evaluated and any significant events, relative to our consolidated financial statements as of December 31, 2021 that warrant additional disclosure have been included in the notes to the consolidated financial statements.

The Company is presented with the risks presented by the novel coronavirus or COVID-19, which has spread and may continue to spread, to markets in which it operates. The ultimate extent of the impact of the pandemic on the Company's business, financial condition, liquidity, results of operations and prospects will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, the severity of, and the actions taken to control, the pandemic, and the short-term and long-term economic impact thereof.

**BRT APARTMENTS CORP. AND SUBSIDIARIES**  
**SCHEDULE III—REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION**

**DECEMBER 31, 2021**  
**(Dollars in thousands)**

Description	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition			Gross Amount At Which Carried at December 31, 2021				Date Acquired	Depreciation Life		
	Encumbrances	Land	Buildings and Improvements	Land	Improvements	Carrying Costs	Land	Buildings and Improvements	Total (a)	Accumulated Depreciation			Date of Construction	
<b>Commercial</b>														
Yonkers, NY.	\$ —	—	\$ 4,000	—	\$ —	—	—	\$ —	4,320	\$ 4,320	\$ 2,309	(b)	Aug-2000	39 years
South Daytona, FL.	—	\$ 10,437	—	\$ 49	—	—	—	\$ 4,379	—	4,379	—	N/A	Feb-2008	N/A
<b>Multi-Family Residential</b>														
North Charleston, SC	15,211	2,435	18,970	—	1,443	—	2,435	20,413	22,848	6,726	2010	2010	Oct-2012	30 years
Decatur, GA	—	1,698	8,676	—	2,272	—	1,698	10,948	12,646	3,746	1954	1954	Nov-2012	30 years
Columbus, OH	8,985	1,372	12,678	—	724	—	1,372	13,402	14,774	3,998	1999	1999	Nov-2013	30 years
Pensacola, FL	14,558	2,758	25,192	—	1,506	—	2,758	26,698	29,456	6,654	2008	2008	Dec-2014	30 years
San Marcos, TX	16,560	2,303	17,605	—	114	—	2,303	17,719	20,022	1,748	2014	2014	Oct-2019	30 years
LaGrange, GA	—	832	21,969	—	710	—	832	22,679	23,511	5,035	2009	2009	Nov-15	30 years
Fredentksburg, VA	26,856	7,540	33,196	—	835	—	7,540	34,031	41,571	4,822	2005	2005	Jul-18	30 years
Nashville, TN	52,000	6,172	77,532	—	190	—	6,172	77,722	83,894	1,009	2017	2017	Sept -21	30 years
Greenville, SC	29,007	4,033	34,052	—	50	—	4,033	34,102	38,135	326	1998	1998	Oct-21	30 years
Nashville, TN	37,680	9,679	29,114	—	47	—	9,679	29,161	38,840	94	1985	1985	Dec-21	30 years
<b>Total</b>	<b>\$ 200,857</b>	<b>\$ 49,259</b>	<b>\$ 282,984</b>	<b>\$ 49</b>	<b>\$ 8,211</b>	<b>\$ —</b>	<b>\$ 43,201</b>	<b>\$ 291,195</b>	<b>\$ 334,396</b>	<b>\$ 36,467</b>				

**BRT REALTY TRUST AND SUBSIDIARIES**  
**SCHEDULE III—REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2021**  
**(Dollars in thousands)**

Notes to the schedule:

(a)	Total real estate properties	\$ 334,396
	Less: Accumulated depreciation	(36,467)
	Net real estate properties	\$ 297,929
(b)	Information not readily obtainable.	

A reconciliation of real estate properties is as follows:

	2021	2020
Balance at beginning of year	\$ 160,192	\$ 169,689
Additions:		
Acquisitions	160,583	—
Capital improvements	1,308	887
	161,891	887
Deductions:		
Sales	16,927	—
Depreciation	7,227	6,742
Impairment Charge	—	3,642
	24,154	10,384
Balance at end of year	\$ 297,929	\$ 160,192

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# CORPORATE DIRECTORY

## ISRAEL ROSENZWEIG

Chairman of the Board of Directors; Senior Vice President of Georgetown Partners LLC, the managing general partner of Gould Investors L.P., a real estate limited partnership; Senior Vice President of One Liberty Properties, Inc.

## JEFFREY A. GOULD

Director, President and Chief Executive Officer; Senior Vice President of Georgetown Partners LLC; Senior Vice President and Director of One Liberty Properties, Inc.

## MATTHEW J. GOULD

Director and Senior Vice President; Chairman of the Board and Chief Executive Officer of Georgetown Partners LLC; Chairman of the Board of Directors of One Liberty Properties, Inc.; Chief Executive Officer of Rainbow Realty Group; Director of Halsa Holdings, Inc.

## DAVID W. KALISH

Senior Vice President—Finance; Senior Vice President and Chief Financial Officer of Georgetown Partners LLC; Senior Vice President and Chief Financial Officer of One Liberty Properties, Inc.

## MARK H. LUNDY

Senior Vice President; President and Chief Operating Officer of Georgetown Partners LLC; Senior Vice President of One Liberty Properties, Inc.

## GEORGE E. ZWEIER

Vice President and Chief Financial Officer

## MITCHELL K. GOULD

Executive Vice President

## ISAAC KALISH

Vice President and Treasurer; Vice President and Assistant Treasurer of Georgetown Partners LLC; Vice President and Assistant Treasurer of One Liberty Properties, Inc.

## STEVEN ROSENZWEIG

Senior Vice President, Legal; Vice President of Georgetown Partners LLC

## RYAN BALTIMORE

Chief Operating Officer

## ALAN H. GINSBURG

Director; Chairman of The CED Companies and AHG Group of Companies

## FREDRIC H. GOULD

Director; Vice Chairman of the Board of Directors of One Liberty Properties Inc.

## LOUIS C. GRASSI

Director; Managing Partner, Grassi & Co., CPAs

## GARY J. HURAND

Director; President of Management Diversified Inc.

## JEFFREY RUBIN

Director; Chief Executive Officer and President of The JR Group; Chief Executive Officer of Summit Processing Group LLC

## JONATHAN H. SIMON

Director; Chief Executive Officer of Simon Baron Development Group

## ELIE WEISS

Director; Chief Executive Officer of Five Forty Investments

## CAROL CICERO

Director

## REGISTRAR AND TRANSFER

American Stock Transfer and Trust Company  
6201 15th Avenue  
Brooklyn, New York 11219

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young, LLP  
5 Times Square  
New York, New York 10036

## FORM 10-K AVAILABLE

A copy of the annual report (Form 10-K) filed with the Securities and Exchange Commission may be obtained without charge by writing to BRT Apartments Corp., 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021, Attn: Secretary.

## COMMON STOCK

The Company's common stock is listed on the New York Stock Exchange under the ticker symbol BRT.

## WEB SITE ADDRESS

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