

NEWS RELEASE**FOR IMMEDIATE RELEASE**

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American Realty Investors, Inc. Reports Fourth Quarter and Full Year 2016 Results

Dallas (April 3, 2017) – American Realty Investors, Inc. (NYSE:ARL), a Dallas-based real estate investment company, today reported results of operations for the fourth quarter ended December 31, 2016. For the three months ended December 31, 2016, the Company reported net income applicable to common shares of \$1.5 million or \$0.09 per diluted earnings per share, as compared to net loss applicable to common shares of \$1.6 million or (\$0.11) per diluted earnings per share for the same period ended 2015.

For the twelve months ended December 31, 2016, we reported a net loss applicable to common shares of \$3.8 million or (\$0.25) per diluted earnings per share, as compared to a net loss applicable to common shares of \$3.2 million or (\$0.21) per diluted earnings per share for the same period ended 2015. The current year net loss applicable to common shares of \$3.8 million includes gain on sales of income-producing properties of \$16.2 million and gain on land sales of \$3.1 million, compared to the prior year net loss applicable to common shares of \$3.2 million, which includes gain on land sales of \$21.6 million, provision on the impairment of real estate assets of \$5.3 million and net income from discontinued operations of \$0.9 million.

Rental and other property revenues were \$119.7 million for the year ended December 31, 2016. This represents an increase of \$15.5 million compared to the prior year revenues of \$104.2 million. The change by segment is an increase in the apartment portfolio of \$13.0 million and an increase in the commercial portfolio of \$2.5 million. The increase in the apartment and commercial portfolios is mainly due to the acquisition of new properties. Our apartment portfolio continues to excel in the current economic conditions with occupancies averaging over 92% and increasing rental rates. We have been able to surpass expectations due to the high-quality product offered, strength of our management team and our commitment to our tenants. The increase in the commercial segment is also due to an increase in rental rates and maintaining an average occupancy rate of 85% in the commercial complexes in 2016. We anticipate that our commercial portfolio will continue to improve as the Company has been successful in attracting high-quality tenants and expects to continue to see the benefits of those new leases in the future.

Property operating expenses were \$63.0 million for the year ended December 31, 2016. This represents an increase of \$9.0 million compared to the prior year operating expenses of \$54.0 million. The change by segment is an increase in the apartment portfolio of \$5.8 million and an increase in the commercial portfolio of \$2.6 million. We added a net 2,145 apartment units during 2015 and 723 during 2016 resulting in a \$5.8 million increase in the apartment portfolio. The increase in our commercial portfolio was primarily due to the acquisition of an office building in Houston, Texas late in the second quarter of 2015.

Depreciation and amortization expenses were \$23.8 million for the year ended December 31, 2016. This represents an increase of \$2.4 million compared to prior year depreciation of \$21.4 million. The increase is primarily due to the growth in our apartment portfolio.

General and administrative expenses were \$7.1 million dollars for the year ended December 31, 2016. This represents an increase of \$0.2 million compared to the prior year general and administrative expenses of \$6.9 million.

There was no provision for impairment of notes receivable, investment in real estate partnerships and real estate assets for the year ended December 31, 2016 as compared to the prior year provision of \$5.3 million for our golf course and related assets located in the U.S. Virgin Islands. This impairment was due to the decision to sell the development parcels in the U.S. Virgin Islands which resulted in a decrease in the estimated fair value of the remaining assets.

Net income fee was \$0.3 million for the year ended December 31, 2016, which represents a decrease of \$0.2 million compared to the prior year net income fee of \$0.5 million. The net income fee paid to Pillar is calculated at 7.5% of net income.

Advisory fees were \$10.9 million for the year ended December 31, 2016, for an increase of \$1.1 million compared to the prior year advisory fees of \$9.8 million. Advisory fees are computed based on a gross asset fee of 0.0625% per month (0.75% per annum) of the average of the gross asset value.

Interest income was \$20.5 million for the year ending December 31, 2016. This represents an increase of \$3.8 million compared to the prior year interest income of \$16.7 million dollars. This increase was primarily due to an increase in amount receivable owed from our Advisor.

Other income was \$2.1 million for the year ending December 31, 2016. This represents a decrease of \$2.0 million compared to prior year other income of \$4.1 million. The decrease is primarily due to a property with a negotiated settlement of a debt with the lender during 2015.

Mortgage and loan interest expense was \$59.4 million for the year ended December 31, 2016. This represents an increase of \$6.9 million compared to the prior year expense of \$52.5 million. The change by segment is an increase in the other portfolio of \$7.4 million, an increase in the apartment portfolio of \$1.7 million and an increase in the commercial portfolio of \$0.3 million, partially offset by a decrease in the land portfolio of \$2.5 million. Within the other portfolio, the majority of the increase is due to incurring two new mezzanine debt obligations during 2015. Within the apartment and commercial portfolios, the majority of the increase is due to the acquisition of new properties, partially offset by loan refinancing at lower rates.

Gain on sale of income-producing properties was \$16.2 million for the year ended December 31, 2016. During 2016, we sold two apartment communities for a total sales price of \$20.4 million and recorded an aggregate gain of \$16.4 million from the sale of these two properties. We also sold an industrial warehouse that resulted in a loss of \$0.2 million.

Gain on land sales was \$3.1 million and \$21.6 million for the years ended December 31, 2016 and 2015, respectively. During 2016, we sold a combined 129.7 acres of land for a total sales price of \$29.1 million and recorded an aggregate gain of \$3.1 million. During 2015, we sold approximately 595 acres of land for a total sales price of \$107.3 million and recorded a gain of \$18.9 million. In addition, we recognized \$2.7 million in deferred gain from prior years land sales during the year ended December 31, 2015.

About American Realty Investors, Inc.

American Realty Investors, Inc., a Dallas-based real estate investment company, holds a diverse portfolio of equity real estate located across the U.S., including office buildings, apartments, shopping centers, and developed and undeveloped land. The Company invests in real estate through direct ownership, leases and partnerships and invests in mortgage loans on real estate. The Company also holds mortgage receivables. For more information, visit the Company's website at www.americanrealtyinvest.com.

**AMERICAN REALTY INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS**

	December 31, 2016	December 31, 2015
	(dollars in thousands, except share and par value amounts)	
Assets		
Real estate, at cost	\$ 1,017,684	\$ 954,390
Real estate subject to sales contracts at cost, net of depreciation	48,919	49,155
Less accumulated depreciation	(165,597)	(150,038)
Total real estate	901,006	853,507
Notes and interest receivable		
Performing (including \$125,799 in 2016 and \$125,915 in 2015 from related parties)	143,601	137,280
Less allowance for estimated losses (including \$15,537 in 2016 and \$15,537 in 2015 from related parties)	(17,037)	(17,037)
Total notes and interest receivable	126,564	120,243
Cash and cash equivalents	17,522	15,232
Restricted cash	38,399	45,711
Investments in unconsolidated subsidiaries and investees	6,087	8,365
Receivable from related party	24,672	28,147
Other assets	60,659	46,163
Total assets	\$ 1,174,909	\$ 1,117,368
Liabilities and Shareholders' Equity		
Liabilities:		
Notes and interest payable	\$ 845,107	\$ 797,962
Notes related to assets held for sale	376	376
Notes related to assets subject to sales contracts	5,612	6,422
Deferred revenue (including \$70,935 in 2016 and \$70,892 in 2015 from sales to related parties)	91,380	91,336
Accounts payable and other liabilities (including \$10,854 in 2016 and \$7,236 in 2015 to related parties)	56,303	44,383
	998,778	940,479
Shareholders' equity:		
Preferred stock, Series A: \$2.00 par value, authorized 15,000,000 shares, issued and outstanding 2,000,614 shares in 2016 and 2015 (liquidation preference \$10 per share), including 900,000 shares in 2016 and 2015 held by ARL	2,205	2,205
Common stock, \$0.01 par value, authorized 100,000,000 shares; issued 15,930,145 shares and outstanding 15,514,360 shares in 2016 and 2015, including 140,000 shares held by TCI (consolidated) in 2016 and 2015	159	156
Treasury stock at cost; 415,785 shares in 2016 and 2015, and 140,000 shares held by TCI (consolidated) as of 2016 and 2015	(6,395)	(6,395)
Paid-in capital	111,510	109,861
Retained earnings	14,398	17,130
Total American Realty Investors, Inc. shareholders' equity	121,877	122,957
Non-controlling interest	54,254	53,932
Total equity	176,131	176,889
Total liabilities and equity	\$ 1,174,909	\$ 1,117,368

AMERICAN REALTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2016	2015	2014
	(dollars in thousands, except per share amounts)		
Revenues:			
Rental and other property revenues (including \$708, \$726 and \$701 for the year ended 2016, 2015 and 2014, respectively, from related parties)	\$ 119,663	\$ 104,188	\$ 79,412
Expenses:			
Property operating expenses (including \$900, \$770 and \$645 for the year ended 2016, 2015 and 2014, respectively, from related parties)	62,950	54,002	42,124
Depreciation	23,785	21,418	17,593
General and administrative (including \$4,053, \$3,855 and \$3,628 for the year ended 2016, 2015 and 2014, respectively, from related parties)	7,119	6,893	10,282
Provision on impairment of real estate assets	-	5,300	-
Net income fee to related party	257	492	3,669
Advisory fee to related party	10,918	9,775	8,943
Total operating expenses	105,029	97,880	82,611
Operating income (loss)	14,634	6,308	(3,199)
Other income (expense):			
Interest income (including \$18,864, \$15,859 and \$19,029 for the year ended 2016, 2015 and 2014, respectively, from related parties)	20,453	16,674	20,054
Other income	2,091	4,106	1,415
Mortgage and loan interest (including \$5,300, \$3,774 and \$3,660 for the year ended 2016, 2015 and 2014, respectively, from related parties)	(59,362)	(52,477)	(40,826)
Loss on the sale of investments	-	(1)	(92)
Earnings from unconsolidated subsidiaries and investees	493	428	347
Litigation settlement	-	(352)	3,591
Total other expenses	(36,325)	(31,622)	(15,511)
Loss before gain on sales, non-controlling interest and taxes	(21,691)	(25,314)	(18,710)
Gain on sale of income-producing properties	16,207	-	-
Gain on land sales	3,121	21,648	561
Loss from continuing operations before tax	(2,363)	(3,666)	(18,149)
Income tax benefit (expense)	(46)	(517)	20,413
Net income (loss) from continuing operations	(2,409)	(4,183)	2,264
Discontinued operations:			
Income (loss) from discontinued operations	(2)	644	(3,557)
Gain on sale of real estate from discontinued operations	-	735	61,879
Income tax expense from discontinued operations	1	(483)	(20,413)
Net income (loss) from discontinued operations	(1)	896	37,909
Net income (loss)	(2,410)	(3,287)	40,173
Net (income) loss attributable to non-controlling interests	(322)	1,327	(9,288)
Net income (loss) attributable to American Realty Investors, Inc.	(2,732)	(1,960)	30,885
Preferred dividend requirement	(1,101)	(1,216)	(2,043)
Net income (loss) applicable to common shares	\$ (3,833)	\$ (3,176)	\$ 28,842
Earnings per share - basic			
Loss from continuing operations	\$ (0.25)	\$ (0.27)	\$ (0.71)
Income from discontinued operations	-	0.06	2.99
Net income (loss) applicable to common shares	\$ (0.25)	\$ (0.21)	\$ 2.28
Earnings per share - diluted			
Loss from continuing operations	\$ (0.25)	\$ (0.27)	\$ (0.71)
Income from discontinued operations	-	0.06	2.99
Net income (loss) applicable to common shares	\$ (0.25)	\$ (0.21)	\$ 2.28
Weighted average common shares used in computing earnings per share	15,514,360	15,111,107	12,683,956
Weighted average common shares used in computing diluted earnings per share	15,514,360	15,111,107	12,683,956
Amounts attributable to American Realty Investors, Inc.			
Loss from continuing operations	\$ (2,731)	\$ (2,856)	\$ (7,024)
Income from discontinued operations	(1)	896	37,909
Net income (loss)	\$ (2,732)	\$ (1,960)	\$ 30,885