

## **NEWS RELEASE**

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### **American Realty Investors, Inc. reports Earnings for Q2 2020**

DALLAS (August 14, 2020) -- American Realty Investors, Inc. (NYSE:ARL) is reporting its results of operations for the quarter ended June 30, 2020. For the three months ended June 30, 2020, The Company reported a net loss applicable to common shares of \$2.3 million or \$0.14 per diluted share, compared to a net loss applicable to common shares of \$2.8 million or \$0.17 per diluted share for the same period in 2019.

#### **COVID-19**

The Company continues to closely monitor the impact of the COVID-19 pandemic on all aspects of its business. COVID-19 did not have a significant on the Company's results of operations or cash flows during the three months ended June 30, 2020.

- The Company collected approximately 97% of its second quarter rents, comprised of approximately 95% from multi-family tenants and approximately 98% from office tenants.
- The Company did not grant any abatements or significant deferrals of rents.
- Occupancy at its non-lease up properties remains stable at 87% at June 30, 2020 in comparison to 89% at June 30, 2019.
- The Company continued to obtain positive leasing spreads for new leases and renewals at its properties.
- Ongoing development projects continued during the quarter unabated without work stoppages. In addition, the Company is evaluating several new development projects.

The future impact of COVID-19 on the Company's business and financial activities will depend on future developments, which at this stage are unpredictable considering the fluctuations of COVID-19 outbreaks and the resulting changes in the markets.

#### **Financial Results**

Rental and other property revenues were \$11.9 million for the three months ended June 30, 2020 and 2019. For the quarter ended June 30, 2020, the Company generated revenues of \$7.9 million and \$4.0 million from its commercial and residential segments, respectively.

Property operating expenses decreased to \$5.8 million for the three months ended June 30, 2020 from \$7.3 million for the same period in 2019. The decrease of \$1.5 million in property operating expenses was primarily due to a reduction in property taxes and maintenance costs.

General and administrative expense decreased to \$1.7 million for the three months ended June 30, 2020 from \$2.4 million for the same period in 2019. The decrease of \$0.7 million in general and administrative expenses was primarily due to a reduction in professional fees.

Interest income decreased to \$5.3 million for the three months ended June 30, 2020 from \$6.5 million for the same period in 2019. The decrease of \$1.2 million in interest income was primarily due to a decrease in notes receivable from related parties.

Other income decreased to \$2.8 million for the three months ended June 30, 2020 from \$3.4 million for the same period in 2019. The decrease of \$0.6 million in other income was primarily due to a decrease in tax incentive finance proceeds.

Foreign currency transaction was a loss of \$5.6 million for the three months ended June 30, 2020 as compared to a loss of \$2.3 million for the same period in 2019. The increase in foreign currency loss was due to a decrease in the exchange rate from U.S. Dollars to the Israel Shekel offset in part by a reduction in the bonds outstanding.

Loss from unconsolidated investments was \$0.7 million for the three months ended June 30, 2020, compared to a loss of \$0.2 million for the same period in 2019. The increase in loss from unconsolidated investments during the quarter was primarily due to an increase in depreciation and amortization expense related to the VAA Joint Venture.

Gain on land sales was \$5.3 million for the three months ended June 30, 2020, compared to \$2.1 million for the same period in 2019. In the current period the Company sold approximately 25.9 acres of land for an aggregate sales price of \$6.6 million which resulted in a gain of \$5.3 million. For the same period in 2019, the Company sold approximately 41.6 acres of land for an aggregate sales price of \$7.6 million which resulted in a gain of \$2.5 million.

#### **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. The Company's primary asset and source of its operating results is its investment in Transcontinental Realty Investors, Inc. (NYSE:TCI). For more information, visit the Company's website at [www.americanrealtyinvest.com](http://www.americanrealtyinvest.com).

**AMERICAN REALTY INVESTORS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

|  | For the Three Months Ended |                   | For the Six Months Ended June |                    |
|--|----------------------------|-------------------|-------------------------------|--------------------|
|  | June 30,                   |                   | 30,                           |                    |
|  | 2020                       | 2019              | 2020                          | 2019               |
| (dollars in thousands, except per share amounts)   |                            |                   |                               |                    |
| <b>Revenues:</b>   |                            |                   |                               |                    |
| Rental and other property revenues (including \$280 and \$202 for the three months and \$546 and \$413 for the six months ended 2020 and 2019, respectively, from related parties)       | \$ 11,947                  | \$ 11,840         | \$ 23,865                     | \$ 23,769          |
| <b>Expenses:</b>   |                            |                   |                               |                    |
| Property operating expenses (including \$254 and \$246 for the three months ended and \$496 and \$504 for the six months ended 2020 and 2019, respectively, from related parties)        | 5,810                      | 7,323             | 12,120                        | 13,320             |
| Depreciation and amortization  | 3,418                      | 3,439             | 6,812                         | 6,548              |
| General and administrative (including \$765 and \$985 for the three months ended and \$1,898 and \$2,582 for the six months ended 2020 and 2019, respectively, from related parties)     | 1,669                      | 2,419             | 4,464                         | 5,024              |
| Franchise taxes and other expenses   | -                          | 585               | 1,496                         | 585                |
| Net income fee to related party  | 112                        | 90                | 198                           | 190                |
| Advisory fee to related party  | 2,241                      | 2,361             | 4,528                         | 4,214              |
| Total operating expenses   | <u>13,250</u>              | <u>16,217</u>     | <u>29,618</u>                 | <u>29,881</u>      |
| Net operating loss   | (1,303)                    | (4,377)           | (5,753)                       | (6,112)            |
| <b>Other income (expenses):</b>  |                            |                   |                               |                    |
| Interest income (including \$5,129 and \$6,207 for the three months ended and \$9,755 and \$12,304 for the six months ended 2020 and 2019, respectively, from related parties)           | 5,284                      | 6,505             | 11,038                        | 12,658             |
| Other income   | 2,794                      | 3,364             | 4,006                         | 7,031              |
| Mortgage and loan interest (including \$1,543 and \$2,385 for the three months ended and \$3,458 and \$4,692 for the six months ended 2020 and 2019, respectively, from related parties) | (9,071)                    | (9,408)           | (18,673)                      | (19,376)           |
| Foreign currency transaction (loss) gain   | (5,599)                    | (2,325)           | 2,244                         | (8,143)            |
| Equity loss from VAA   | (735)                      | (236)             | (1,111)                       | (1,291)            |
| Earnings from unconsolidated subsidiaries and investees  | 16                         | 173               | 132                           | 231                |
| Total other income (expenses)  | <u>(7,311)</u>             | <u>(1,927)</u>    | <u>(2,364)</u>                | <u>(8,890)</u>     |
| Income (loss) before gain on land sales, non-controlling interest, and taxes   | (8,614)                    | (6,304)           | (8,117)                       | (15,002)           |
| Loss on sale of income producing properties  | -                          | (80)              | -                             | (80)               |
| Gain on land sales   | 5,339                      | 2,517             | 9,477                         | 4,733              |
| Net income (loss) before taxes   | <u>(3,275)</u>             | <u>(3,867)</u>    | <u>1,360</u>                  | <u>(10,349)</u>    |
| State income tax expense   | (49)                       | -                 | (296)                         | -                  |
| Net income (loss)  | <u>(3,324)</u>             | <u>(3,867)</u>    | <u>1,064</u>                  | <u>(10,349)</u>    |
| Net (income) loss attributable to non-controlling interest   | 1,018                      | 1,089             | (424)                         | 1,424              |
| Net income (loss) attributable to American Realty Investors, Inc.  | <u>(2,306)</u>             | <u>(2,778)</u>    | <u>640</u>                    | <u>(8,925)</u>     |
| Net income (loss) applicable to common shares  | <u>\$ (2,306)</u>          | <u>\$ (2,778)</u> | <u>\$ 640</u>                 | <u>\$ (8,925)</u>  |
| <b>(Loss) earnings per share - basic</b>   |                            |                   |                               |                    |
| Net income (loss)  | \$ (0.21)                  | \$ (0.24)         | \$ 0.07                       | \$ (0.65)          |
| Net income (loss) applicable to common shares  | <u>\$ (0.14)</u>           | <u>\$ (0.17)</u>  | <u>\$ 0.04</u>                | <u>\$ (0.56)</u>   |
| <b>(Loss) earnings per share - diluted</b>   |                            |                   |                               |                    |
| Net income (loss)  | \$ (0.21)                  | \$ (0.24)         | \$ 0.07                       | \$ (0.65)          |
| Net income (loss) applicable to common shares  | <u>\$ (0.14)</u>           | <u>\$ (0.17)</u>  | <u>\$ 0.04</u>                | <u>\$ (0.56)</u>   |
| Weighted average common shares used in computing earnings per share  | 15,997,076                 | 15,997,076        | 15,997,076                    | 15,997,076         |
| Weighted average common shares used in computing diluted earnings per share  | 15,997,076                 | 15,997,076        | 15,997,076                    | 15,997,076         |
| <b>Amounts attributable to American Realty Investors, Inc.</b>   |                            |                   |                               |                    |
| Net income (loss)  | <u>\$ (3,324)</u>          | <u>\$ (3,867)</u> | <u>\$ 1,064</u>               | <u>\$ (10,349)</u> |
| Net income (loss) applicable to American Realty Investors, Inc.  | <u>\$ (2,306)</u>          | <u>\$ (2,778)</u> | <u>\$ 640</u>                 | <u>\$ (8,925)</u>  |

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

|   | <b>June 30, 2020</b>  | <b>December 31, 2019</b> |
|---|---|--------------------------|
|   | <b>(Unaudited)</b>  | <b>(Audited)</b>         |
|   | <b>(dollars in thousands, except share and par value amounts)</b> |                          |
| <b>Assets</b>   |   |                          |
| Real estate, at cost  | \$ 484,639  | \$ 469,997               |
| Real estate subject to sales contracts at cost  | 6,307   | 7,966                    |
| Less accumulated depreciation   | <u>(96,002)</u>   | <u>(90,173)</u>          |
| Total real estate   | 394,944   | 387,790                  |
| Notes and interest receivable (including \$110,827 in 2020 and \$106,081 in 2019 from related parties)  | 180,146   | 169,299                  |
| Less allowance for estimated losses (including \$12,557 and \$13,099 in 2020 and 2019 from related parties)   | <u>(12,557)</u>   | <u>(13,099)</u>          |
| Total notes and interest receivable   | 167,589   | 156,200                  |
| Cash and cash equivalents   | 42,461  | 51,228                   |
| Restricted cash   | 30,114  | 32,083                   |
| Investment in VAA   | 52,773  | 59,148                   |
| Investment in other unconsolidated investees  | 8,639   | 8,507                    |
| Receivable from related party   | 75,923  | 85,996                   |
| Other assets  | <u>55,846</u>   | <u>49,689</u>            |
| Total assets  | <u>\$ 828,289</u>   | <u>\$ 830,641</u>        |
| <b>Liabilities and Shareholders' Equity</b>   |   |                          |
| <b>Liabilities:</b>   |   |                          |
| Notes and interest payable  | \$ 263,325  | \$ 254,873               |
| Bond and interest payable   | 218,216   | 229,722                  |
| Deferred revenue (including \$25,660 in 2020 and \$24,762 in 2019 to related parties)   | 25,660  | 24,762                   |
| Accounts payable and other liabilities (including \$12,267 in 2020 and \$11,817 in 2019 to related parties)   | <u>23,508</u>   | <u>24,768</u>            |
| Total liabilities   | 530,709   | 534,125                  |
| <b>Shareholders' equity:</b>  |   |                          |
| Preferred stock, Series A: \$2.00 par value, authorized 15,000,000 shares, issued 614 and outstanding 1,800,614 in 2020 and 2019 (liquidation preference \$10 per share), including 1,800,000 shares held by ARL and its subsidiaries in 2020 and 2019. | 5   | 5                        |
| Common stock, \$0.01 par value, 100,000,000 shares authorized; 16,412,861 shares issued and 15,997,076 outstanding as of 2020 and 2019, including 140,000 shares held by TCI (consolidated) in 2020 and 2019.   | 164   | 164                      |
| Treasury stock at cost; 415,785 shares in 2020 and 2019, and 140,000 shares held by TCI (consolidated) as of 2020 and 2019.   | (6,395)   | (6,395)                  |
| Paid-in capital   | 82,017  | 82,017                   |
| Retained earnings   | <u>164,348</u>  | <u>163,708</u>           |
| Total American Realty Investors, Inc. shareholders' equity  | 240,139   | 239,499                  |
| Non-controlling interest  | <u>57,441</u>   | <u>57,017</u>            |
| Total shareholders' equity  | 297,580   | 296,516                  |
| Total liabilities and shareholders' equity  | <u>\$ 828,289</u>   | <u>\$ 830,641</u>        |