

NEWS RELEASE

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American Realty Investors, Inc. reports Earnings for Q4 2022

DALLAS (March 24, 2023) -- American Realty Investors, Inc. (NYSE:ARL) is reporting its results of operations for the quarter ended December 31, 2022. For the three months ended December 31, 2022, we reported net income attributable to common shares of \$43.4 million or \$2.69 per diluted share, compared to net loss attributable to common shares of \$6.8 million or \$0.42 per diluted share for the same period in 2021.

Financial Highlights

- We collected approximately 96% of our rents for the three months ended December 31, 2022, comprised of approximately 97% from multifamily tenants and approximately 96% from office tenants.
- Total occupancy was 81% at December 31, 2022, which includes 93% at our multifamily properties and 60% at our commercial properties.
- On November 1, 2022, we received a distribution of approximately \$204.0 million in connection with the sale of VAA Sale Portfolio earlier in the year.
- On November 1, 2022, we also received the full control and economical rights to the seven remaining multifamily properties from our Victory Abode Apartments, LLC (“VAA”) joint venture (collectively, the “VAA Holdback Portfolio”) with a fair value of \$219.5 million, which resulted in gain on remeasurement of approximately \$73.2 million. The VAA Holdback Portfolio consisted of Blue Lake Villas, Blue Lake Villas Phase II, Northside on Travis, Parc at Denham Springs, Residences at Holland Lake, Villas of Park West I and Villas of Park West II.
- On October 21, 2022, we paid off the \$38.5 million loan on Stanford Center from the cash generated from sale of the VAA Sale Portfolio.
- On January 31, 2023, we paid off our \$66.5 million Series C bonds from cash received from sale of the VAA Sale Portfolio.

Financial Results

Rental revenues increased \$4.1 million from \$7.6 million for the three months ended December 31, 2021 to \$11.8 million for the three months ended December 31, 2022. The increase in rental revenue is primarily due to \$4.9 million increase at our multifamily properties offset in part by a decrease of \$0.7 million from the commercial properties. The increase in revenue from the multifamily properties is primarily due to the acquisition of the VAA Holdback Portfolio in 2022.

Net operating income increased \$5.1 million from net operating loss of \$3.7 million for three months ended December 31, 2021 to net operating income of \$1.4 million for the three months ended December 31, 2022. The increase in net operating income is primarily due to the \$4.1 million increase in rental revenue as noted above and a decrease of \$2.3 million in general administrative and advisory expenses offset in part by an increase of \$1.9 million in property operating and depreciation expenses. The decrease in general administrative and advisory expenses is primarily due to a decrease in legal expenses and the increase in property and depreciation expenses is due to the acquisition of the VAA Holdback Portfolio.

Net income attributable to common shares increased \$50.2 million from net loss of \$6.8 million for the three months ended December 31, 2021 to net income of \$43.4 million for the three months ended December 31, 2022. The increase in net income is primarily attributed to \$70.2 million increase in gain on sale, remeasurement or write down of assets offset in part by a \$16.4 million increase in our tax provision. The increase in gain on our sale or write down of assets and our tax provision is due to the remeasurement of the VAA Holdback Portfolio that was acquired in 2022.

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.

AMERICAN REALTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Revenues:				
Rental revenues	\$ 11,770	\$ 7,625	\$ 34,080	\$ 37,808
Other income	1,539	989	3,464	4,231
Total revenue	<u>13,309</u>	<u>8,614</u>	<u>37,544</u>	<u>42,039</u>
Expenses:				
Property operating expenses	5,798	4,360	18,339	20,860
Depreciation and amortization	2,846	2,397	9,686	11,870
General and administrative	2,077	3,143	10,033	15,942
Advisory fee to related party	<u>1,139</u>	<u>2,391</u>	<u>8,753</u>	<u>13,985</u>
Total operating expenses	<u>11,860</u>	<u>12,291</u>	<u>46,811</u>	<u>62,657</u>
Net operating income (loss)	1,449	(3,677)	(9,267)	(20,618)
Interest income	9,543	6,033	35,226	23,421
Interest expense	(7,149)	(6,604)	(26,196)	(29,080)
Income (loss) on foreign currency transactions	630	(7,360)	20,067	(6,175)
Loss on early extinguishment of debt	—	—	(2,805)	(1,451)
Equity in (loss) income from unconsolidated joint ventures	(2,117)	3,183	469,268	14,634
Gain on sale or write-down of assets, net	70,552	382	87,132	24,647
Income tax provision	<u>(16,492)</u>	<u>(129)</u>	<u>(98,108)</u>	<u>1,067</u>
Net income (loss)	<u>56,416</u>	<u>(8,172)</u>	<u>475,317</u>	<u>6,445</u>
Net income attributable to noncontrolling interest	<u>(12,982)</u>	<u>1,368</u>	<u>(101,968)</u>	<u>(3,098)</u>
Net income (loss) attributable to common shares	<u>\$ 43,434</u>	<u>\$ (6,804)</u>	<u>\$ 373,349</u>	<u>\$ 3,347</u>
Earnings per share - basic				
Basic and diluted	<u>\$ 2.69</u>	<u>\$ (0.42)</u>	<u>\$ 23.11</u>	<u>\$ 0.21</u>
Weighted average common shares used in computing earnings per share				
Basic and diluted	<u>16,152,043</u>	<u>16,152,043</u>	<u>16,152,043</u>	<u>16,152,043</u>