

NEWS RELEASE

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Contact:

American Realty Investors, Inc. Investor Relations

Erik Johnson (469) 522-4200

investor.relations@americanrealtyinvest.com

American Realty Investors, Inc. reports Earnings for Q4 2023

DALLAS (March 21, 2024) -- American Realty Investors, Inc. (NYSE:ARL) is reporting its results of operations for the quarter ended December 31, 2023. For the three months ended December 31, 2023, we reported net loss attributable to common shares of \$2.1 million or \$0.13 per diluted share, compared to net income attributable to common shares of \$43.4 million or \$2.69 per diluted share for the same period in 2022.

Financial Highlights

- Total occupancy was 77% at December 31, 2023, which includes 92% at our multifamily properties and 49% at our commercial properties.
- On November 6, 2023, we entered into a \$25.4 million construction loan to construct a 216 unit multifamily property in McKinney, Texas ("Merano") that bears interest at prime plus 0.25% and matures on November 6, 2028. Merano is expected to be completed in 2025 for a total cost of approximately \$51.9 million. As of December 31, 2023, we have incurred a total of \$7.2 million in development costs.
- On December 15, 2023, we entered into a \$23.5 million construction loan to construct a 216 unit multifamily property in Temple, Texas ("Bandera Ridge") that bears interest at SOFR plus 3% and matures on December 15, 2028. Bandera Ridge is expected to be completed in 2025 for a total cost of approximately \$49.6 million. As of December 31, 2023, we have incurred a total of \$3.1 million in development costs.
- On February 8, 2024, we extended the maturity of our loan on Windmill Farms to February 28, 2026 at an interest rate of 7.50%.

Financial Results

Rental revenues increased \$1.0 million from \$11.8 million for the three months ended December 31, 2022 to \$12.8 million for the three months ended December 31, 2023. The increase in rental revenue is primarily due to \$0.9 million increase at our multifamily properties and an increase of \$0.1 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 decreased \$3.6 million from net operating income of \$1.4 million for three months ended December 31, 2022 to net operating loss of \$2.2 million for the three months ended December 31, 2023. The decrease in net operating income is primarily due to an increase of \$2.7 million in property operating and depreciation expenses and an increase of \$1.7 million in general administrative and advisory expenses offset in part by the \$1.0 million increase in rental revenue as noted above.

Net income attributable to common shares decreased \$45.6 million from net income of \$43.4 million for the three months ended December 31, 2022 to net loss of \$2.1 million for the three months ended December 31, 2023. The decrease in net income is primarily attributed to the \$72.6 million decrease in gain on sale, remeasurement or write down of assets offset in part by a \$17.5 million decrease in tax provision. The decrease in gain on our sale or write down of assets and 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,	
	2023	2022	2023	2022
Revenues:				
Rental revenues	\$ 12,787	\$ 11,770	\$ 47,023	\$ 34,080
Other income	1,260	1,539	3,477	3,464
Total revenue	<u>14,047</u>	<u>13,309</u>	<u>50,500</u>	<u>37,544</u>
Expenses:				
Property operating expenses	7,316	5,798	27,896	18,339
Depreciation and amortization	4,031	2,846	13,646	9,686
General and administrative	1,587	2,077	10,011	10,033
Advisory fee to related party	3,304	1,139	10,187	8,753
Total operating expenses	<u>16,238</u>	<u>11,860</u>	<u>61,740</u>	<u>46,811</u>
Net operating (loss) income	(2,191)	1,449	(11,240)	(9,267)
Interest income	1,646	6,621	26,847	26,559
Interest expense	(1,928)	(4,227)	(9,502)	(17,529)
Gain on foreign currency transactions	—	630	993	20,067
Loss on early extinguishment of debt	—	—	(1,710)	(2,805)
Equity in (loss) income from unconsolidated joint ventures	296	(2,117)	3,242	469,268
(Loss) gain on sale, write-down or remeasurement of assets, net	(2,079)	70,552	(1,923)	87,132
Income tax provision	960	(16,492)	(1,456)	(98,108)
Net (loss) income	<u>(3,296)</u>	<u>56,416</u>	<u>5,251</u>	<u>475,317</u>
Net income attributable to noncontrolling interest	1,173	(12,982)	(1,283)	(101,968)
Net (loss) income attributable to common shares	<u>\$ (2,123)</u>	<u>\$ 43,434</u>	<u>\$ 3,968</u>	<u>\$ 373,349</u>
Earnings per share - basic				
Basic and diluted	<u>\$ (0.13)</u>	<u>\$ 2.69</u>	<u>\$ 0.25</u>	<u>\$ 23.11</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>