

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2024

or

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

For the transition period from _____ to _____
Commission File Number: 001-38010
CLIPPER REALTY INC.

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or
organization)

47-4579660

(I.R.S. Employer Identification No.)

4611 12th Avenue, Suite 1L
Brooklyn, New York 11219
(Address of principal executive offices) (Zip Code)
(718) 438-2804
(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
Common Stock, par value \$0.01 per share	CLPR	New York Stock Exchange

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 X 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 X No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer X
Smaller reporting company X
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 accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 31, 2024, there were 16,077,290 shares of the Registrant's Common Stock outstanding.

TABLE OF CONTENTS

	Page
CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS	2
PART I – FINANCIAL INFORMATION	
ITEM 1. CONDENSED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2024 (UNAUDITED) AND DECEMBER 31, 2023	4
CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023 (UNAUDITED)	5
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023 (UNAUDITED)	6
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023 (UNAUDITED)	7
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	8
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	23
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	30
ITEM 4. CONTROLS AND PROCEDURES	30
PART II – OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	30
ITEM 1A. RISK FACTORS	31
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	31
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	31
ITEM 4. MINE SAFETY DISCLOSURES	31
ITEM 5. OTHER INFORMATION	31
ITEM 6. EXHIBITS	32
SIGNATURES	33

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q for Clipper Realty Inc. (the "Company"), including, without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations," regarding the Company's financial position, business strategy and the plans, objectives, expectations, or assumptions of management for future operations, are forward-looking statements. When used in this Quarterly Report on Form 10-Q, words such as "may," "will," "should," "could," "expect," "anticipate," "believe," "estimate," "project," "predict," "believe," "expect," "intend," "continue," "potential," "plan," "goal" or other words that convey the uncertainty of future events or outcomes are intended to identify forward-looking statements, which are generally not historical in nature. These statements involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. These risks, contingencies and uncertainties include, but are not limited to, the following:

- our dependency on certain agencies of the City of New York, as a single government tenant in our office buildings, could cause an adverse effect on us, including our results of operations and cash flow, when these agencies opt to early terminate or opt not to renew their leases, as applicable.
- the impact of the recent increase in inflation in the United States which could increase the cost of acquiring, replacing and operating our properties
- market and economic conditions affecting occupancy levels, rental rates, the overall market value of our properties, our access to capital and the cost of capital and our ability to refinance indebtedness;
- economic or regulatory developments in New York City;
- changes in rent stabilization regulations or claims by tenants in rent-stabilized units that their rents exceed specified maximum amounts under current regulations;
- our ability to control operating costs to the degree anticipated;
- the risk of damage to our properties, including from severe weather, natural disasters, climate change, and terrorist attacks;
- risks related to financing, cost overruns, and fluctuations in occupancy rates and rents resulting from development or redevelopment activities and the risk that we may not be able to pursue or complete development or redevelopment activities or that such development or redevelopment activities may not be profitable;
- concessions or significant capital expenditures that may be required to attract and retain tenants;
- the relative illiquidity of real estate investments;
- competition affecting our ability to engage in investment and development opportunities or attract or retain tenants;
- unknown or contingent liabilities in properties acquired in formative and future transactions;
- the possible effects of departure of key personnel in our management team on our investment opportunities and relationships with lenders and prospective business partners;
- conflicts of interest faced by members of management relating to the acquisition of assets and the development of properties, which may not be resolved in our favor;
- a transfer of a controlling interest in any of our properties that may obligate us to pay transfer tax based on the fair market value of the real property transferred;
- the need to establish litigation reserves, costs to defend litigation and unfavorable litigation settlements or judgments; and
- other risks and risk factors or uncertainties identified from time to time in our filings with the SEC.

These forward-looking statements speak only as of the date of this report, and the Company undertakes no obligation to revise or update these statements to reflect subsequent events or circumstances.

PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

Clipper Realty Inc.

Consolidated Balance Sheets
(In thousands, except for share and per share data)

	September 30, 2024	December 31, 2023
	(unaudited)	
ASSETS		
Investment in real estate		
Land and improvements	\$ 571,988	\$ 571,988
Building and improvements	735,208	726,273
Tenant improvements	3,366	3,366
Furniture, fixtures and equipment	13,758	13,278
Real estate under development	137,685	87,285
Total investment in real estate	1,462,005	1,402,190
Accumulated depreciation	(235,817)	(213,606)
Investment in real estate, net	1,226,188	1,188,584
Cash and cash equivalents	18,622	22,163
Restricted cash	17,472	14,062
Tenant and other receivables, net of allowance for doubtful accounts of \$252 and \$234, respectively	6,317	5,181
Deferred rent	2,191	2,359
Deferred costs and intangible assets, net	5,783	6,127
Prepaid expenses and other assets	10,444	10,854
TOTAL ASSETS	\$ 1,287,017	\$ 1,249,330
LIABILITIES AND EQUITY (DEFICIT)		
Liabilities:		
Notes payable, net of unamortized loan costs of \$10,115 and \$13,405, respectively	\$ 1,257,731	\$ 1,205,624
Accounts payable and accrued liabilities	21,768	20,994
Security deposits	9,044	8,765
Other liabilities	7,937	6,712
TOTAL LIABILITIES	1,296,480	1,242,095
Equity (Deficit):		
Preferred stock, \$0.01 par value; 100,000 shares authorized (including 140 shares of 12.5% Series A cumulative non-voting preferred stock), zero shares issued and outstanding	—	—
Common stock, \$0.01 par value; 500,000,000 shares authorized, 16,077,290 and 16,063,228 shares issued and outstanding, at September 30, 2024 and December 31, 2023, respectively	160	160
Additional paid-in-capital	89,818	89,483
Accumulated deficit	(93,562)	(86,899)
Total stockholders' equity	(3,584)	2,744
Non-controlling interests	(5,879)	4,491
TOTAL EQUITY (DEFICIT)	(9,463)	7,235
TOTAL LIABILITIES AND EQUITY (DEFICIT)	\$ 1,287,017	\$ 1,249,330

See accompanying notes to these consolidated financial statements.

Clipper Realty Inc.

Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
REVENUES				
Residential rental income	\$ 27,846	\$ 25,501	\$ 81,700	\$ 74,481
Commercial rental income	9,776	9,627	29,028	28,857
TOTAL REVENUES	37,622	35,128	110,728	103,338
OPERATING EXPENSES				
Property operating expenses	8,482	7,930	26,098	22,811
Real estate taxes and insurance	7,562	7,374	22,137	24,610
General and administrative	3,370	3,340	10,380	10,029
Transaction pursuit costs	-	-	-	357
Depreciation and amortization	7,456	7,282	22,289	21,376
TOTAL OPERATING EXPENSES	26,870	25,926	80,904	79,183
INCOME FROM OPERATIONS	10,752	9,202	29,824	24,155
Interest expense, net	(11,840)	(11,527)	(35,320)	(32,996)
Loss on extinguishment of debt	-	-	-	(3,868)
Net loss	(1,088)	(2,325)	(5,496)	(12,709)
Net loss attributable to non-controlling interests	676	1,444	3,414	7,892
Net loss attributable to common stockholders	\$ (412)	\$ (881)	\$ (2,082)	\$ (4,817)
Basic and diluted net loss per share	\$ (0.05)	\$ (0.09)	\$ (0.20)	\$ (0.36)

See accompanying notes to these consolidated financial statements.

Clipper Realty Inc.

Consolidated Statements of Changes in Equity
(In thousands, except for share data)
(Unaudited)

	Number of common shares	Common stock	Additional paid-in- capital	Accumulated deficit	Total stockholders' equity	Non- controlling interests	Total equity
Balance December 31, 2023	16,063,228	\$ 160	\$ 89,483	\$ (86,899)	\$ 2,744	\$ 4,491	\$ 7,235
Amortization of LTIP grants	—	—	—	—	—	561	561
Dividends and distributions	—	—	—	(1,526)	(1,526)	(2,870)	(4,396)
Net loss	—	—	—	(1,011)	(1,011)	(1,655)	(2,666)
Reallocation of noncontrolling interests	—	—	72	—	72	(72)	—
Balance March 31, 2024	16,063,228	\$ 160	\$ 89,555	\$ (89,436)	\$ 279	\$ 455	\$ 734
Amortization of LTIP grants	—	—	—	—	—	713	713
Conversion of LTIP units	14,062	—	—	—	—	—	—
Dividends and distributions	—	—	—	(1,527)	(1,527)	(2,869)	(4,396)
Net loss	—	—	—	(660)	(660)	(1,083)	(1,743)
Reallocation of noncontrolling interests	—	—	130	—	130	(130)	—
Balance June 30, 2024	16,077,290	\$ 160	\$ 89,685	\$ (91,623)	\$ (1,778)	\$ (2,914)	\$ (4,692)
Amortization of LTIP grants	—	—	—	—	—	713	713
Dividends and distributions	—	—	—	(1,527)	(1,527)	(2,869)	(4,396)
Net loss	—	—	—	(412)	(412)	(676)	(1,088)
Reallocation of noncontrolling interests	—	—	133	—	133	(133)	—
Balance September 30, 2024	16,077,290	\$ 160	\$ 89,818	\$ (93,562)	\$ (3,584)	\$ (5,879)	\$ (9,463)

	Number of common shares	Common stock	Additional paid-in- capital	Accumulated deficit	Total stockholders' equity	Non- controlling interests	Total equity
Balance December 31, 2022	16,063,228	\$ 160	\$ 88,829	\$ (74,895)	\$ 14,094	\$ 23,085	\$ 37,179
Amortization of LTIP grants	—	—	—	—	—	648	648
Dividends and distributions	—	—	—	(1,526)	(1,526)	(2,822)	(4,348)
Net loss	—	—	—	(2,687)	(2,687)	(4,402)	(7,089)
Reallocation of noncontrolling interests	—	—	123	—	123	(123)	—
Balance March 31, 2023	16,063,228	\$ 160	\$ 88,952	\$ (79,108)	\$ 10,004	\$ 16,386	\$ 26,390
Amortization of LTIP grants	—	—	—	—	—	783	783
Dividends and distributions	—	—	—	(1,526)	(1,526)	(2,822)	(4,348)
Net loss	—	—	—	(1,249)	(1,249)	(2,046)	(3,295)
Reallocation of noncontrolling interests	—	—	175	—	175	(175)	—
Balance June 30, 2023	16,063,228	\$ 160	\$ 89,127	\$ (81,883)	\$ 7,404	\$ 12,126	\$ 19,530
Amortization of LTIP grants	—	—	—	—	—	783	783
Dividends and distributions	—	—	—	(1,526)	(1,526)	(2,822)	(4,348)
Net loss	—	—	—	(881)	(881)	(1,444)	(2,325)
Reallocation of noncontrolling interests	—	—	175	—	175	(175)	—
Balance September 30, 2023	16,063,228	\$ 160	\$ 89,302	\$ (84,290)	\$ 5,172	\$ 8,468	\$ 13,640

See accompanying notes to these consolidated financial statements.

Clipper Realty Inc.

Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (5,496)	\$ (12,709)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>		
Depreciation	22,211	21,296
Amortization of deferred financing costs	1,591	1,098
Amortization of deferred costs and intangible assets	440	441
Amortization of above- and below-market leases	-	(18)
Loss on extinguishment of debt	-	3,868
Deferred rent	168	66
Stock-based compensation	1,987	2,214
Bad debt (recovery) expense	24	(120)
<i>Changes in operating assets and liabilities:</i>		
Tenant and other receivables	(1,160)	(103)
Prepaid expenses, other assets and deferred costs	315	3,328
Accounts payable and accrued liabilities	(247)	(4,366)
Security deposits	279	713
Other liabilities	1,225	1,422
Net cash provided by operating activities	21,337	17,130
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to land, buildings, and improvements	(57,097)	(27,783)
Net cash used in investing activities	(57,097)	(27,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of mortgage notes	(1,483)	(84,241)
Proceeds from mortgage notes	50,300	124,858
Dividends and distributions	(13,188)	(13,044)
Loan issuance and extinguishment costs	-	(10,232)
Net cash provided by financing activities	35,629	17,341
Net (decrease)increase in cash and cash equivalents and restricted cash	(131)	6,688
Cash and cash equivalents and restricted cash - beginning of period	36,225	30,666
Cash and cash equivalents and restricted cash - end of period	\$ 36,094	\$ 37,354
Cash and cash equivalents and restricted cash – beginning of period:		
Cash and cash equivalents	\$ 22,163	\$ 18,152
Restricted cash	14,062	12,514
Total cash and cash equivalents and restricted cash – beginning of period	\$ 36,225	\$ 30,666
Cash and cash equivalents and restricted cash – end of period:		
Cash and cash equivalents	\$ 18,622	\$ 22,450
Restricted cash	17,472	14,904
Total cash and cash equivalents and restricted cash – end of period	\$ 36,094	\$ 37,354
Supplemental cash flow information:		
Cash paid for interest, net of capitalized interest of \$2,343 and \$2,382 in 2024 and 2023, respectively	\$ 32,672	\$ 32,924
Non-cash interest capitalized to real estate under development	1,698	339
Additions to investment in real estate included in accounts payable and accrued liabilities	10,504	5,102

See accompanying notes to these consolidated financial statements.

Clipper Realty Inc.
Notes to Condensed Consolidated Financial Statements
(In thousands, except for share and per share data and as noted)
(Unaudited)

INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of Clipper Realty Inc. and subsidiaries (the "Company" or "we") and subsidiaries have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 14, 2024. Note that any references to square footage and unit count are outside the scope of our Independent registered public accounting firm's review.

The financial information presented reflects all adjustments (consisting of normal recurring adjustments) which are, in our opinion, necessary for a fair presentation of the results of operations, cash flows and financial position for the interim periods presented. These results are not necessarily indicative of a full year's results of operations.

1. Organization

As of September 30, 2024, the properties owned by the Company consist of the following (collectively, the "Properties"):

- Tribeca House in Manhattan, comprising two buildings, one with 21 stories and one with 12 stories, containing residential and retail space with an aggregate of approximately 483,000 square feet of residential rental Gross Leasable Area ("GLA") and 77,000 square feet of retail rental and parking GLA;
- Flatbush Gardens in Brooklyn, a 59-building residential housing complex with 2,494 rentable units and approximately 1,749,000 square feet of residential rental GLA;
- 141 Livingston Street in Brooklyn, a 15-story office building with approximately 216,000 square feet of GLA;
- 250 Livingston Street in Brooklyn, a 12-story office and residential building with approximately 370,000 square feet of GLA (fully remeasured);
- Aspen in Manhattan, a 7-story building containing residential and retail space with approximately 166,000 square feet of residential rental GLA and approximately 21,000 square feet of retail rental GLA;
- Clover House in Brooklyn, a 11-story residential building with approximately 102,000 square feet of residential rental GLA;
- 10 West 65th Street in Manhattan, a 6-story residential building with approximately 76,000 square feet of residential rental GLA;
- 1010 Pacific Street in Brooklyn, 9-story residential building with approximately 119,000 square feet of residential rental GLA; and
- the Dean Street property in Brooklyn, which the Company plans to redevelop as a 9-story residential building with approximately 160,000 square feet of residential rental GLA and approximately 9,000 square feet of retail rental GLA.

The operations of Clipper Realty Inc. and its consolidated subsidiaries are carried on primarily through Clipper Realty L.P., the Company's operating partnership subsidiary (the "Operating Partnership"). The Company has elected to be taxed as a Real Estate Investment Trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code (the "Code"). The Company is the sole general partner of the Operating Partnership and the Operating Partnership is the sole managing member of the limited liability companies (the "LLCs") that comprised the predecessor of the Company (the "Predecessor").

At September 30, 2024, the Company's interest, through the Operating Partnership, in the LLCs that own the properties generally entitles it to 37.9% of the aggregate cash distributions from, and the profits and losses of, the LLCs.

The Company determined that the Operating Partnership and the LLCs are variable interest entities ("VIEs") and that the Company was the primary beneficiary. The assets and liabilities of these VIEs represented substantially all of the Company's assets and liabilities.

2. Significant Accounting Policies

Segments

At September 30, 2024, the Company had two reportable operating segments, Residential Rental Properties and Commercial Rental Properties. The Company's chief operating decision maker may review operational and financial data on a property basis.

Basis of Consolidation

The accompanying consolidated financial statements of the Company are prepared in accordance with GAAP. The effect of all intercompany balances has been eliminated. The consolidated financial statements include the accounts of all entities in which the Company has a controlling interest. The ownership interests of other investors in these entities are recorded as non-controlling interests.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from these estimates.

Investment in Real Estate

Real estate assets held for investment are carried at historical cost and consist of land, buildings and improvements, furniture, fixtures and equipment. Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditures for improvements, renovations, and replacements of real estate assets are capitalized and depreciated over their estimated useful lives if the expenditures qualify as betterment or the life of the related asset will be substantially extended beyond the original life expectancy.

In accordance with ASU 2018-01, "Business Combinations – Clarifying the Definition of a Business," the Company evaluates each acquisition of real estate or in-substance real estate to determine if the integrated set of assets and activities acquired meets the definition of a business and needs to be accounted for as a business combination. If either of the following criteria is met, the integrated set of assets and activities acquired would not qualify as a business:

- Substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets; or
- The integrated set of assets and activities is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs (i.e., revenue generated before and after the transaction).

An acquired process is considered substantive if:

- The process includes an organized workforce (or includes an acquired contract that provides access to an organized workforce) that is skilled, knowledgeable and experienced in performing the process;
- The process cannot be replaced without significant cost, effort or delay; or
- The process is considered unique or scarce.

Generally, the Company expects that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e., land, buildings and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

Upon acquisition of real estate, the Company assesses the fair values of acquired tangible and intangible assets including land, buildings, tenant improvements, above-market and below-market leases, in-place leases and any other identified intangible assets and assumed liabilities. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their fair values. In estimating fair value of tangible and intangible assets acquired, the Company assesses and considers fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates, estimates of replacement costs, net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

The Company records acquired above-market and below-market lease values initially based on the present value, using a discount rate which reflects the risks associated with the leases acquired based on the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed renewal options for the below-market leases. Other intangible assets acquired include amounts for in-place lease values and tenant relationship values (if any) that are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A property's value is impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, a write-down is recorded and measured by the amount of the difference between the carrying value of the asset and the fair value of the asset. In the event that the Company obtains proceeds through an insurance policy due to impairment, the proceeds are offset against the write-down in calculating gain/loss on disposal of assets. Management of the Company does not believe that any of its properties within the portfolio are impaired as of September 30, 2024.

For long-lived assets to be disposed of, impairment losses are recognized when the fair value of the assets less estimated cost to sell is less than the carrying value of the assets. Properties classified as real estate held-for-sale generally represent properties that are actively marketed or contracted for sale with closing expected to occur within the next twelve months. Real estate held-for-sale is carried at the lower of cost, net of accumulated depreciation, or fair value less cost to sell, determined on an asset-by-asset basis. Expenditures for ordinary repair and maintenance costs on held-for-sale properties are charged to expense as incurred. Expenditures for improvements, renovations and replacements related to held-for-sale properties are capitalized at cost. Depreciation is not recorded on real estate held-for-sale.

If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balances of the related intangibles are written off. The tenant improvements and origination costs are amortized to expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date).

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements (in years)	10 - 44
Tenant improvements	Shorter of useful life or lease term
Furniture, fixtures and equipment (in years)	3 - 15

The capitalized above-market lease values are amortized as a reduction to base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. The value of in-place leases is amortized to expense over the remaining initial terms of the respective leases.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and in banks, plus all short-term investments with a maturity of three months or less when purchased. The Company maintains some of its cash in bank deposit accounts, which, at times, may exceed the federally insured limit. No losses have been experienced related to such accounts.

Restricted Cash

Restricted cash generally consists of escrows for future real estate taxes and insurance expenditures, repairs, capital improvements, loan reserves and security deposits.

Tenant and Other Receivables and Allowance for Doubtful Accounts

Tenant and other receivables are comprised of amounts due for monthly rents and other charges less allowance for doubtful accounts. In accordance with Accounting Standards Codification ("ASC") 842 "Leases," the Company performed a detailed review of amounts due from tenants to determine if accounts receivable balances and future lease payments were probable of collection, wrote off receivables not probable of collection and recorded a general reserve against revenues for receivables probable of collection for which a loss can be reasonably estimated. If management determines that the tenant receivable is not probable of collection it is written off against revenues. In addition, the Company records a general reserve under ASC 450.

Deferred Costs

Deferred lease costs consist of fees incurred to initiate and renew operating leases. Lease costs are being amortized using the straight-line method over the terms of the respective leases.

Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. These costs are amortized over the term of the financing and are recorded in interest expense in the consolidated statements of operations. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financing transactions which do not close are expensed in the period the financing transaction is terminated.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) adjusted for changes in unrealized gains and losses, reported in equity, for financial instruments required to be reported at fair value under GAAP. For the three and nine months ended September 30, 2024 and 2023, the Company did not own any financial instruments for which the change in value was not reported in net income (loss); accordingly, its comprehensive income (loss) was its net income (loss) as presented in the consolidated statements of operations.

Revenue Recognition

As mentioned above under Tenant and Other Receivables and Allowance for Doubtful Accounts the Company records lease income under ASC842, "Leases" which replaces the guidance under ASC 840. ASC 842 applies to the Company principally as lessor; as a lessee, the Company's leases are immaterial. The Company has determined that all its leases as lessor are operating leases. The Company has elected to not bifurcate lease and non-lease components under a practical expedient provision. With respect to collectability, the Company has written off all receivables not probable of collection and related deferred rent, and has recorded income for those tenants on a cash basis. When the probability assessment has changed for these receivables, the Company has recognized lease income to the extent of the difference between the lease income that would have been recognized if collectability had always been assessed as probable and the lease income recognized to date. For remaining receivables probable of collection, the Company has recorded a general reserve under ASC450.

For the three months ended September 30, 2024 and 2023, the Company charged revenue in the amount of \$1,286 and \$855, respectively, for residential receivables not deemed probable of collection and recognized revenue of \$46 and \$199, respectively, for a reassessment of collectability of residential receivables previously not deemed probable of collection.

For the nine months ended September 30, 2024 and 2023, the Company charged revenue in the amount of \$3,006 and \$3,302, respectively, for residential receivables not deemed probable of collection and recognized revenue of \$276 and \$1,313, respectively, for a reassessment of collectability of residential receivables previously not deemed probable of collection.

In accordance with the provisions of ASC 842, rental revenue for commercial leases is recognized on a straight-line basis over the terms of the respective leases. Deferred rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements. Rental income attributable to residential leases and parking is recognized as earned, which is not materially different from the straight-line basis. Leases entered by residents for apartment units are generally for one-year terms, renewable upon consent of both parties on an annual or monthly basis.

Reimbursements for operating expenses due from tenants pursuant to their lease agreements are recognized as revenue in the period the applicable expenses are incurred. These costs generally include real estate taxes, utilities, insurance, common area maintenance costs and other recoverable costs and are recorded as part of commercial rental income in the condensed consolidated statements of operations.

Stock-based Compensation

The Company accounts for stock-based compensation pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, "Compensation — Stock Compensation." As such, all equity-based awards are reflected as compensation expense in the Company's consolidated statements of operations over their vesting period based on the fair value at the date of grant. In the event of a forfeiture, the previously recognized expense would be reversed.

As of September 30, 2024, and December 31, 2023, there were 3,879,616 and 3,391,904 long-term incentive plan ("LTIP") units outstanding, respectively, with a weighted average grant date fair value of \$8.29 and \$8.80 per unit, respectively. As of September 30, 2024, and December 31, 2023, there was \$10.1 million and \$10.2 million, respectively, of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under share incentive plans. As of September 30, 2024, the weighted-average period over which the unrecognized compensation expense will be recorded is approximately three and a half years.

In March 2024, the Company granted employees and non-employee directors 320,172 and 181,602 LTIP units, respectively, with a weighted-average grant date value of \$4.90 per unit. The grants vesting period range from up to one year for those granted to the non-employee directors and from one to 2.5 years to those granted to employees as 2023 bonus and long-term incentive compensation.

In March 2023, the Company granted employees and non-employee directors 274,911 and 157,731 LTIP units, respectively, with a weighted-average grant date value of \$5.62 per unit. The grants vesting period range from up to one year for those granted to the non-employee directors and from one to 2.5 years to those granted to employees as 2022 bonus and long-term incentive compensation.

Transaction Pursuit Costs

Transaction pursuit costs primarily reflect costs incurred for abandoned acquisition, disposition or other transaction pursuits.

During the nine-month periods ended September 30, 2023 transaction pursuit costs include \$357 of costs related to the Article 11 Agreement.

Income Taxes

The Company elected to be taxed and to operate in a manner that will allow it to qualify as a REIT under the Code. To qualify as a REIT, the Company is required to distribute dividends equal to at least 90% of the REIT taxable income (computed without regard to the dividends paid deduction and net capital gains) to its stockholders, and meet the various other requirements imposed by the Code relating to matters such as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided the Company qualifies for taxation as a REIT, it is generally not subject to U.S. federal corporate-level income tax on the earnings distributed currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal and state income tax on its taxable income at regular corporate tax rates and any applicable alternative minimum tax. In addition, the Company may not be able to re-elect as a REIT for the four subsequent taxable years. The entities comprising the Predecessor are limited liability companies and are treated as pass-through entities for income tax purposes. Accordingly, no provision has been made for federal, state or local income or franchise taxes in the accompanying consolidated financial statements.

In accordance with FASB ASC Topic 740, 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 its financial position or results of operations. The prior three years' income tax returns are subject to review by the Internal Revenue Service.

Fair Value Measurements

Refer to Note 6, "Fair Value of Financial Instruments".

Derivative Financial Instruments

FASB derivative and hedging guidance establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by FASB guidance, the Company records all derivatives on the consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation.

Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecast transactions, are considered cash flow hedges. For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (loss) (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in the fair value or cash flows of the derivative hedging instrument with the changes in the fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value would be recognized in earnings. As of September 30, 2024 and December 31, 2023, the Company has no derivatives for which it applies hedge accounting.

Loss Per Share

Basic and diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average common shares outstanding. As of September 30, 2024 and 2023, the Company had unvested LTIP units which provide for non-forfeitable rights to dividend-equivalent payments. Accordingly, these unvested LTIP units are considered participating securities and are included in the computation of basic and diluted net loss per share pursuant to the two-class method. The Company did not have dilutive securities as of September 30, 2024 or 2023.

The effect of the conversion of the 26,317 Class B LLC units outstanding is not reflected in the computation of basic and diluted net loss per share, as the effect would be anti-dilutive. The net loss allocable to such units is reflected as non-controlling interests in the accompanying consolidated financial statements.

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated (unaudited):

(in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator				
Net loss attributable to common stockholders	\$ (412)	\$ (881)	\$ (2,082)	\$ (4,817)
Less: income attributable to participating securities	(369)	(322)	(1,107)	(967)
Subtotal	\$ (1,149)	\$ (1,203)	\$ (3,189)	\$ (5,784)
Denominator				
Weighted-average common shares outstanding	16,077	16,063	16,072	16,063
Basic and diluted net loss per share attributable to common stockholders	\$ (0.05)	\$ (0.09)	\$ (0.20)	\$ (0.36)

Recently Issued Pronouncements

On August 23, 2023, the FASB issued ASU 2023-05 that will require a joint venture, upon formation, to measure its assets and liabilities at fair value in its standalone financial statements. A joint venture will recognize the difference between the fair value of its equity and the fair value of its identifiable assets and liabilities as goodwill (or an equity adjustment, if negative) using the business combination accounting guidance regardless of whether the net assets meet the definition of a business. The new accounting standard is intended to reduce diversity in practice. This ASU will apply to joint ventures that meet the definition of a corporate joint venture under GAAP, thus limiting its scope to joint ventures not controlled and therefore not consolidated by any joint venture investor. We currently have no material joint ventures and as such do not expect it to have a material impact on our consolidated financial statements. This accounting standard will become effective for joint ventures with a formation date on or after January 1, 2025, with early adoption permitted. We expect to adopt this ASU on January 1, 2025.

On November 27, 2023, the FASB issued ASU 2023-07 to require the disclosure of segment expenses if they are (i) significant to the segment, (ii) regularly provided to the chief operating decision maker ("CODM"), and (iii) included in each reported measure of a segment's profit or loss. Public entities will be required to provide this disclosure quarterly. In addition, this ASU requires an annual disclosure of the CODM's title and a description of how the CODM uses the segment's profit/loss measure to assess segment performance and to allocate resources. Compliance with these and certain other disclosure requirements will be required for our annual report on Form 10-K for the year 2024, and for subsequent quarterly and annual reports, with early adoption permitted. The Company is currently evaluating the impact of this standard on our current disclosures.

3. Deferred Costs and Intangible Assets

Deferred costs and intangible assets consist of the following:

	September 30, 2024	December 31, 2023
	(unaudited)	
Deferred costs	\$ 348	\$ 348
Lease origination costs	1,570	1,474
In-place leases	428	428
Real estate tax abatements	9,142	9,142
Total deferred costs and intangible assets	11,488	11,392
Less accumulated amortization	(5,705)	(5,265)
Total deferred costs and intangible assets, net	\$ 5,783	\$ 6,127

Amortization of deferred costs, lease origination costs and in-place lease intangible assets was \$26 and \$28 for the three months ended September 30, 2024 and 2023, respectively, and \$79 and \$79 for the nine months ended September 30, 2024 and 2023, respectively; Amortization of real estate tax abatements of \$120 and \$120 for the three months ended September 30, 2024 and 2023, respectively, and \$361 and \$361 for the nine months ended September 30, 2024 and 2023, is included in real estate taxes and insurance in the consolidated statements of operations.

Deferred costs and intangible assets as of September 30, 2024, amortize in future years as follows:

2024 (Remainder)	\$ 147
2025	581
2026	552
2027	534
2028	520
Thereafter	3,449
Total	\$ 5,783

4. Notes Payable

The mortgages, loans and mezzanine notes payable collateralized by the properties, or the Company's interest in the entities that own the properties and assignment of leases, are as follows:

Property	Maturity	Interest Rate	September 30, 2024	December 31, 2023
Flatbush Gardens, Brooklyn, NY(a)	6/1/2032	3.125%	\$ 329,000	\$ 329,000
250 Livingston Street, Brooklyn, NY(b)	6/6/2029	3.63%	125,000	125,000
141 Livingston Street, Brooklyn, NY(c)	3/6/2031	3.21%	100,000	100,000
Tribeca House, Manhattan, NY(d)	3/6/2028	4.506%	360,000	360,000
Aspen, Manhattan, NY(e)	7/1/2028	3.68%	59,812	61,004
Clover House, Brooklyn, NY(f)	12/1/2029	3.53%	82,000	82,000
10 West 65th Street, Manhattan, NY(g)	11/1/2027	SOFR + 2.50%	31,545	31,836
1010 Pacific Street, Brooklyn, NY(h)	9/15/2025	5.55%	60,000	60,000
1010 Pacific Street, Brooklyn, NY(h)	9/15/2025	6.37%	20,000	20,000
953 Dean Street, Brooklyn, NY(i)	8/10/2026	SOFR + 4%	91,173	42,909
953 Dean Street, Brooklyn, NY(i)	8/10/2026	SOFR + 10%	9,316	7,280
Total debt			\$ 1,267,846	\$ 1,219,029
Unamortized debt issuance costs			(10,115)	(13,405)
Total debt, net of unamortized debt issuance costs			\$ 1,257,731	\$ 1,205,624

(a) The \$329,000 mortgage note agreement with New York Community Bank ("NYCB"), entered into on May 8, 2020, matures on June 1, 2032, and bears interest at 3.125% through May 2027 and thereafter at the prime rate plus 2.75%, subject to an option to fix the rate. The note requires interest-only payments through May 2027, and monthly principal and interest payments thereafter based on a 30-year amortization schedule. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note prior to the maturity date, subject to certain prepayment premiums, as defined.

(b) The \$125,000 mortgage note agreement with Citi Real Estate Funding Inc., entered into on May 31, 2019, matures on June 6, 2029, bears interest at 3.63% and requires interest-only payments for the entire term. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note within three months of maturity, without a prepayment premium.

In connection with the termination of the City of New York 342,496 square foot lease, pursuant to the terms of the Loan Agreement, the Company expects to establish a cash management account shortly for the benefit of the lender into which the Company will be obligated to deposit all revenue generated by the building. All amounts remaining in such cash management account after the lender's allocations set forth in the loan agreement will be disbursed to the Company once the tenant cure conditions are satisfied under the loan agreement.

(c) The \$100,000 mortgage note agreement with Citi Real Estate Funding Inc., entered into on February 18, 2021, matures on March 6, 2031, bears interest at 3.21% and requires interest-only payments for the entire term. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note within three months of maturity, without a prepayment premium.

The Company and the City of New York are negotiating the terms of a five-year extension of its current lease upon its termination in December of 2025. There can be no assurance that the negotiations will conclude with an agreement. Should the lease not be extended for a minimum of five years, in accordance with the terms of the mortgage note, the Company will be required to either fund an escrow account in the amount of \$10,000 payable in equal monthly payments over the 18 months after lease expiration or deliver to the lender a letter of credit in the amount of \$10,000.

On October 28, 2024 the Company received notice that as of October 7, 2024 the servicing of the mortgage note was transferred to a special servicer ("Special Servicer") due to, they contend, our failure to make certain required payments under the loan, including, but not limited to, the reserve monthly deposit. The Special Servicer has demanded that the Company pay \$2,222 of reserve payments into an escrow account immediately and continued monthly payments of \$555 for an additional 14 months, \$1,166 of default interest and late charges through October 7, 2024, and an additional \$10 per diem interest for each day thereafter. The Company contends the Special Servicer has misinterpreted the terms of the loan agreement requiring monthly reserve payments beginning on July 7, 2024, and that the Company has no obligation to make reserve payments at this time under the terms of the loan agreement. The Company continues to discuss this issue with the Special Servicer.

(d) The \$360,000 loan with Deutsche Bank, entered into on February 21, 2018, matures on March 6, 2028, bears interest at 4.506% and requires interest-only payments for the entire term. The Company has the option to prepay all (but not less than all) of the unpaid balance of the loan prior to the maturity date, subject to a prepayment premium if it occurs prior to December 6, 2027.

(e) The \$70,000 mortgage note agreement with Capital One Multifamily Finance LLC matures on July 1, 2028, and bears interest at 3.68%. The note required interest-only payments through July 2017, and monthly principal and interest payments of \$321 thereafter based on a 30-year amortization schedule. The Company has the option to prepay the note prior to the maturity date, subject to a prepayment premium.

(f) The \$82,000 mortgage note agreement with MetLife Investment Management, entered into on November 8, 2019, matures on December 1, 2029, bears interest at 3.53% and requires interest-only payments for the entire term. The Company has the option, commencing on January 1, 2024, to prepay the note prior to the maturity date, subject to a prepayment premium if it occurs prior to September 2, 2029.

(g) The \$31,545 mortgage note agreement with NYCB entered into in connection with the acquisition of the property matures on November 1, 2027. Through October 2022 the Company paid a fixed interest rate of 3.375% and thereafter was scheduled to pay interest at the prime rate plus 2.75%, subject to an option to fix the rate. On August 26, 2022, the Company and NYCB amended the note to replace prime plus 2.75% rate with SOFR plus 2.5% (7.75% at September 30, 2024). The note required interest-only payments through November 2019, and monthly principal and interest payments thereafter based on a 30-year amortization schedule. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note prior to the maturity date, subject to certain prepayment premiums, as defined.

(h) On August 10, 2021, the Company entered into a group of loans with AIG Asset Management (U.S.), LLC, succeeding a property acquisition loan, providing for maximum borrowings of \$52,500 to develop the property. The notes had a 36-month term, bore interest at 30 day LIBOR plus 3.60% (with a floor of 4.1%). The notes were scheduled to mature on September 1, 2024 and could have been extended until September 1, 2026. The Company could have prepaid the unpaid balance of the note within five months of maturity without penalty.

On February 9, 2023, the Company refinanced this construction loan with a mortgage loan with Valley National Bank which provided for maximum borrowings of \$80,000. The loan provided initial funding of \$60,000 and a further \$20,000 subject to achievement of certain financial targets. The loan has a term of five years and an initial annual interest rate of 5.7% subject to reduction by up to 25 basis points upon achievement of certain financial targets (during the quarter ended June 30, 2023, the Company achieved the applicable financial target, and the interest rate was reduced to 5.55%). The interest rate on subsequent fundings will be fixed at the time of any funding. The loan requires interest-only payments for the first two years and principal and interest thereafter based on a 30-year amortization schedule. The Company has the option to prepay in full, or in part, the unpaid balance of the note prior to the maturity date. Prior to the second anniversary of the date of the note prepayment is subject to certain prepayment premiums, as defined. After the second anniversary of the date of the note the prepayment is not subject to a prepayment premium.

On September 15, 2023, the Company borrowed an additional \$20,000 from Valley National Bank. The additional borrowing has a term of twenty-four months and an annual interest rate of 6.37%. The loan is interest only subject to the maintenance of certain financial targets after the first 16 months of the term. In conjunction with the additional borrowing, the Company and the bank agreed to amend the expiration date of the initial \$60,000 to expire at the same time as the additional borrowing. No change was made to the interest rate on the initial borrowing.

In conjunction with the refinancing the Company incurred \$3,868 of loan extinguishment costs related to prepayment penalties, writing off unamortized deferred financed costs of the previous loan and other fees. These costs are included in the consolidated statement of operations for the nine-month period ended September 30, 2023.

(i) On December 22, 2021, the Company entered into a \$30,000 mortgage note agreement with Bank Leumi, N.A. related to the Dean Street acquisition. The notes original maturity was December 22, 2022 and was subsequently extended to September 22, 2023. The note required interest-only payments and bears interest at the prime rate (with a floor of 3.25%) plus 1.60%. In April 2022, the Company borrowed an additional \$6,985 under the mortgage note in connection with the acquisition of additional parcels of land in February and April 2022.

On August 10, 2023, the Company refinanced its \$37,000 mortgage on its Dean Street development with a senior construction loan ("Senior Loan") with Valley National Bank that permits borrowings up to \$115,000 and a mezzanine loan (the "Mezzanine Loan") with BADF 953 Dean Street Lender LLC that permits borrowings up to \$8,000.

The Senior Loan allows maximum borrowings of \$115,000 for a 30-month term, has two 6-month extension options, and bears interest at 1-Month Term SOFR plus 4.00%, with an all-in floor of 5.50% (9.20% at September 30, 2024). The Senior Loan consists of a land loan, funded at closing to refinance the existing loan totaling \$36,985, a construction loan of up to \$62,400 and a project loan of up to \$15,600. The Company has provided a 30% payment guarantee of outstanding borrowings among other standard indemnities. As of September 30, 2024, the Company has drawn \$44,203 from the construction loan and \$9,985 from the project loan.

The Mezzanine Loan allows maximum borrowings of \$8,000 for a 30-month term, have two 6-month extension options, and bears interest at 1-Month Term SOFR plus 10%, with an all-in floor of 13% (15.20% at September 30, 2024). Interest shall accrue on the principal, is compounded monthly and is due at the end of the term of the loan. At closing, \$4,500 was funded to cover closing costs incurred on the construction loans. As of September 30, 2024, the remaining \$3,500 was drawn for ongoing construction costs.

During the three and Nine months ended September 30, 2024, the Company incurred \$355 and \$101, respectively, in interest and is included in the balance of the Notes Payable in the Consolidated Balance Sheet.

On August 10, 2023 the Company entered into a \$5,000 corporate line of credit with Valley National Bank. The line of credit bears interest of Prime + 1.5%. The Company has not drawn on the line of credit as of September 30, 2024.

The Company has provided limited guaranties for the mortgage notes at several of its properties. The Company's loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with affirmative and negative covenants, including the maintenance of debt service coverage and debt yield ratios. In the event they are not compliant, certain lenders may require cash sweeps of rent until the conditions are cured. The Company believes it is not in default on any of its loan agreements.

The following table summarizes principal payment requirements under the terms of the mortgage notes as of September 30, 2024:

2024 (Remainder)	\$	512
2025		82,100
2026		102,687
2027		33,442
2028		416,554
Thereafter		632,551
Total	<u>\$</u>	<u>1,267,846</u>

5. Rental Income under Operating Leases

The Company's commercial properties are leased to commercial tenants under operating leases with fixed terms of varying lengths. As of September 30, 2024, the minimum future cash rents receivable (excluding tenant reimbursements for operating expenses) under non-cancelable operating leases for the commercial tenants in each of the next five years and thereafter are as follows:

2024 (Remainder)	\$	7,696
2025		25,119
2026		4,854
2027		4,355
2028		3,331
Thereafter		21,074
Total	\$	<u>66,429</u>

The Company has commercial leases with the City of New York that comprised approximately 22% and 23% of total revenues for the three months ended September 30, 2024 and 2023, respectively, and 23% and 23% of total revenues for the nine months ended September 30, 2024 and 2023, respectively. As of February 23, 2024, the City of New York notified the Company of its intention to terminate its lease for 342,496 square feet of office space located at 240-250 Livingston Street effective August 23, 2025. The Lease generally provides for rent payments in the amount of \$13,700 through the end of the term. Additionally, the Company and the City of New York are negotiating the terms of a five-year extension of its current 206,084 square foot lease at 141 Livingston Street that expires in December of 2025. There can be no assurance that the negotiations will conclude with an agreement. The current lease at 141 Livingston Street provides for \$10,304 rent per annum.

6. Fair Value of Financial Instruments

GAAP requires the measurement of certain financial instruments at fair value on a recurring basis. In addition, GAAP requires the measure of other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired real estate and long-lived assets). Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The GAAP fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3: prices or valuation techniques where little or no market data is available that require inputs that are both significant to the fair value measurement and unobservable.

When available, the Company utilizes quoted market prices from an independent third-party source to determine fair value and classifies such items in Level 1 or Level 2. In instances where the market for a financial instrument is not active, regardless of the availability of a nonbinding quoted market price, observable inputs might not be relevant and could require the Company to make a significant adjustment to derive a fair value measurement. Additionally, in an inactive market, a market price quoted from an independent third party may rely more on models with inputs based on information available only to that independent third party. When the Company determines the market for a financial instrument owned by the Company to be illiquid or when market transactions for similar instruments do not appear orderly, the Company uses several valuation sources (including internal valuations, discounted cash flow analysis and quoted market prices) and establishes a fair value by assigning weights to the various valuation sources.

Changes in assumptions or estimation methodologies can have a material effect on these estimated fair values. In this regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may not be realized in an immediate settlement of the instrument.

The financial assets and liabilities in the consolidated balance sheets include cash and cash equivalents, restricted cash, receivables, prepaid expenses, accounts payable and accrued liabilities, security deposits and notes payable. The carrying amount of cash and cash equivalents, restricted cash, receivables, prepaid expenses, accounts payable and accrued liabilities, and security deposits reported in the consolidated balance sheets approximates fair value due to the short-term nature of these instruments. The fair value of notes payable, which are classified as Level 2, is estimated by discounting the contractual cash flows of each debt instrument to their present value using adjusted market interest rates.

The carrying amount and estimated fair value of the notes payable are as follows:

	September 30, 2024	December 31, 2023
	(unaudited)	
Carrying amount (excluding unamortized debt issuance costs)	\$ 1,267,846	\$ 1,219,029
Estimated fair value	\$ 1,196,707	\$ 1,160,393

7. Commitments and Contingencies

Legal

On July 3, 2017, the Supreme Court of the State of New York (the "Court") ruled in favor of 41 present or former tenants of apartment units at the Company's buildings located at 50 Murray Street and 53 Park Place in Manhattan, New York (the Tribeca House property), who brought an action (the "Kuzmich" case) against the Company alleging that they were subject to applicable rent stabilization laws with the result that rental payments charged by the Company exceeded amounts permitted under these laws because the buildings were receiving certain tax abatements under Real Property Tax Law ("RPTL") 421-g. The Court also awarded the plaintiffs-tenants their attorney's fees and costs. After various court proceedings and discussions from 2018-2022, on March 4, 2022 the court issued a ruling, finalized on May 9, 2022, on the rent overcharges to which the plaintiffs are entitled. While the court ruled that the overcharges to which the plaintiffs are entitled total \$1.2 million, the court agreed with the Company's legal arguments that rendered the overcharge liability lower than it could have been, and therefore the Company did not appeal the ruling. On June 23, 2022, the court ruled that the plaintiffs are entitled to attorneys' fees incurred through February 28, 2022, in the amount of \$0.4 million. The only remaining outstanding issues of which the Company is aware relate to the proper form of rent-stabilized renewal leases for the six plaintiffs who remain as tenants in the building. The parties are seeking judicial intervention to resolve this remaining issue. On July 17, 2023, a hearing was held at which the Judicial Hearing Officer ("JHO") determined five (5) of the tenant's lease renewal amounts, term and form. The amount of the lease renewal concerning the sixth plaintiff was made on August 28, 2023. On June 14, 2024, the Court amended its August 28, 2023 decision, holding that no renewal lease had been entered into by one of the remaining tenants who claimed to have entered into a renewal lease at a preferential rent. On July 20, 2024, Plaintiff filed a notice of appeal from the June 14, 2024 decision. Renewal leases for certain of the remaining tenants are outstanding.

On November 18, 2019, the same law firm which filed the Kuzmich case filed a second action involving a separate group of 26 tenants (captioned Crowe et al v 50 Murray Street Acquisition LLC, Supreme Court, New York County, Index No. 161227/19), which action advances essentially the same claims as in Kuzmich. The Company's deadline to answer or otherwise respond to the complaint in Crowe had been extended to June 30, 2020; on such date, the Company filed its answer to the complaint. Pursuant to the court's rules, on July 16, 2020, the plaintiffs filed an amended complaint; the sole difference as compared to the initial complaint is that seven new plaintiffs-tenants were added to the caption; there were no substantive changes to the complaint's allegations. On August 5, 2020, the Company filed its answer to the amended complaint. The case was placed on the court's calendar and was next scheduled for a discovery conference on November 16, 2022. Counsel for the parties have been engaged in and are continuing settlement discussions. On November 16, 2022, the court held a compliance conference and ordered the plaintiffs to provide rent overcharge calculations in response to proposed calculations previously provided by the Company. On July 12, 2023, the court referred this matter to a JHO to determine the outstanding issues. A hearing before the JHO was held in September 2023 in which the Company and Plaintiffs produced their rent overcharge calculations. In addition, on November 28, 2023, the Court denied the motion for use and occupancy against one of the tenants based on a technical error in Plaintiffs' amended complaint. The Plaintiff has filed with the Court to correct its error. At this time all parties are continuing to engage in settlement discussions and discussions with the JHO seeking to resolve differences between their rent calculations.

On March 9, 2021, the same law firm which filed the Kuzmich and Crowe cases filed a third action involving another tenant (captioned Horn v 50 Murray Street Acquisition LLC, Supreme Court, New York County, Index No. 152415/21), which action advances the same claims as in Kuzmich and Crowe. The Company filed its answer to the complaint on May 21, 2021. A preliminary conference was held in December 2023 to discuss the calculations for the Horn lease renewal. The parties are currently attempting to settle this matter before the same JHO as in the hearing for the Kuzmich and Crowe matters.

As a result of the March 4 and May 9, 2022 decisions which established the probability and ability to reasonably compute amounts owed to tenants for all the cases, the Company recorded a charge for litigation settlement and other of \$2.7million in the consolidated statements of operations during the year ended December 31, 2021 comprising rent overcharges, interest and legal costs of plaintiff's counsel. The Company paid \$2.3 million to the plaintiffs related to the Kuzmich case during the year ended December 31, 2022 and \$0.4 million related to the Crowe case during the nine month period ended September 30, 2023.

In addition to the above, the Company is subject to certain legal proceedings and claims arising in connection with its business. Management believes, based in part upon consultation with legal counsel, that the ultimate resolution of all such claims will not have a material adverse effect on the Company's consolidated results of operations, financial position or cash flows.

The New York City Department of Citywide Administrative Services is currently engaged in an audit of the Company's operating expense escalation charges for the period of June 2014 to December 2018. Based on the preliminary results of the audit the Company believes it has adequate reserves to cover any adverse conclusions.

Commitments

On June 29, 2023, the Company entered into the Article 11 Agreement. Under this agreement, the Company has entered into a Housing Repair and Maintenance Letter Agreement in which the Company has agreed to perform certain capital improvements to Flatbush Gardens over the next 3 years. The current estimate is that the costs of that work will be an amount up to \$27,000. The Company expects those costs to be offset by the savings provided by a real estate tax exemption and enhanced payments for tenants receiving government assistance. Through September 30, 2024 the Company spent approximately \$10,900 on capital improvements required under the HRMLA.

The Company is obligated to provide parking availability through August 2025 under a lease with a tenant at the 250 Livingston Street property; the current cost to the Company is approximately \$205 per year.

Concentrations

The Company's properties are located in the Boroughs of Manhattan and Brooklyn in New York City, which exposes the Company to greater economic risks than if it owned a more geographically dispersed portfolio.

The breakdown between commercial and residential revenue is as follows (unaudited):

	Commercial	Residential	Total
Three months ended September 30, 2024	26%	74%	100%
Three months ended September 30, 2023	27%	73%	100%
Nine months ended September 30, 2024	27%	73%	100%
Nine months ended September 30, 2023	28%	72%	100%

8. Related-Party Transactions

The Company recorded office and overhead expenses pertaining to a related company in general and administrative expense of \$112 and \$0 for the three months ended September 30, 2024 and 2023, respectively, and \$308 and \$198 for the nine months ended September 30, 2024 and 2023. The Company recognized a charge/(credit) to reimbursable payroll expense pertaining to a related company in general and administrative expense of \$(23) and \$(23) for the three months ended September 30, 2024 and 2023, respectively, and \$(61) and \$(53) for the nine months ended September 30, 2024 and 2023. On October 10, 2024, the Company guaranteed an agreement between the Company's subsidiary, 250 Livingston Owner LLC, and IronHound Management Company LLC, whose principal is the Company's director Roberto Verrone, to provide consulting services regarding the loan related to the 250 Livingston Street property. The initial fee paid upon the agreement is \$125 and the agreement also includes restructuring and other fees payable upon certain loan modifications. The arrangement was approved by an independent committee of the Company's board of directors. During the three months ended September 30, 2024, the Company engaged Greenberg Traurig, in which the Company's director Robert Ivanhoe is a senior partner, regarding the loan to 141 Livingston Street, for a fee of approximately \$9.

9. Segment Reporting

The Company has classified its reporting segments into commercial and residential rental properties. The commercial reporting segment includes the 141 Livingston Street property and portions of the 250 Livingston Street, Tribeca House, Dean Street and Aspen properties. The residential reporting segment includes the Flatbush Gardens property, the Clover House property, the 10 West 65th Street property, the 1010 Pacific Street property, and portions of the 250 Livingston Street, Tribeca House Aspen properties and the Dean street development

The Company's income from operations by segment for the three and nine months ended September 30, 2024 and 2023, is as follows (unaudited):

Three months ended September 30, 2024	Commercial		Residential		Total
Rental income	\$	9,776	\$	27,846	\$ 37,622
Total revenues	\$	9,776	\$	27,846	\$ 37,622
Property operating expenses		1,132		7,350	8,482
Real estate taxes and insurance		2,910		4,653	7,562
General and administrative		594		2,776	3,370
Transaction pursuit costs		—		—	—
Depreciation and amortization		1,499		5,956	7,456
Total operating expenses		6,135		20,735	26,870
Income from operations	\$	3,641	\$	7,111	\$ 10,752

Three months ended September 30, 2023	Commercial		Residential		Total
Rental income	\$	9,627	\$	25,501	\$ 35,128
Total revenues	\$	9,627	\$	25,501	\$ 35,128
Property operating expenses		1,248		6,682	7,930
Real estate taxes and insurance		2,540		4,834	7,374
General and administrative		606		2,734	3,340
Transaction pursuit costs		—		—	—
Depreciation and amortization		1,457		5,825	7,282
Total operating expenses		5,851		20,075	25,926
Income from operations		3,776	\$	5,426	\$ 9,202

Nine months ended September 30, 2024	Commercial		Residential		Total
Rental income	\$	29,028	\$	81,700	\$ 110,728
Total revenues		29,028		81,700	110,728
Property operating expenses		3,498		22,600	26,098
Real estate taxes and insurance		7,964		14,173	22,137
General and administrative		1,815		8,565	10,380
Depreciation and amortization		4,496		17,794	22,289
Total operating expenses		17,773		63,131	80,904
Income from operations	\$	11,254	\$	18,566	\$ 29,824

Nine months ended September 30, 2023	Commercial		Residential		Total
Rental income	\$	28,857	\$	74,481	\$ 103,338
Total revenues		28,857		74,481	103,338
Property operating expenses		3,511		19,300	22,811
Real estate taxes and insurance		7,069		17,541	24,610
General and administrative		1,792		8,237	10,029
Transaction pursuit costs		—		357	357
Depreciation and amortization		4,346		17,030	21,376
Total operating expenses		16,718		62,465	79,183
Income from operations	\$	12,139	\$	12,016	\$ 24,155

The Company's total assets by segment are as follows, as of:

	Commercial		Residential		Total
September 30, 2024 (unaudited)	\$	316,166	\$	970,851	\$ 1,287,017
December 31, 2023		313,666		935,664	1,249,330

The Company's interest expense by segment for the three and nine months ended September 30, 2024 and 2023, is as follows (unaudited):

	Commercial		Residential		Total
<u>Three months ended September 30,</u>					
2024	\$ 2,553	\$	9,287	\$	11,840
2023	\$ 2,577	\$	8,950	\$	11,527
<u>Nine months ended September 30,</u>					
2024	\$ 7,605	\$	27,715	\$	35,320
2023	\$ 7,584	\$	25,412	\$	32,996

The Company's capital expenditures, including acquisitions, by segment for the three and nine months ended September 30, 2024 and 2023, are as follows (unaudited):

	Commercial		Residential		Total
<u>Three months ended September 30,</u>					
2024	\$ 2,344	\$	34,640	\$	36,984
2023	\$ 689	\$	10,067	\$	10,756
<u>Nine months ended September 30,</u>					
2024	\$ 3,574	\$	56,241	\$	59,815
2023	\$ 2,929	\$	25,414	\$	28,343

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our condensed consolidated financial statements and related notes included in Part I-Item 1 of this Form 10-Q, as well as our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those discussed in these forward-looking statements. See "Cautionary Note Concerning Forward-Looking Statements" in this Form 10-Q.

Overview of Our Company

Clipper Realty Inc. (the "Company" or "we") is a self-administered and self-managed real estate company that acquires, owns, manages, operates and repositions multifamily residential and commercial properties in the New York metropolitan area, with a current portfolio in Manhattan and Brooklyn. Our primary focus is to own, manage and operate our portfolio and to acquire and reposition additional multifamily residential and commercial properties in the New York metropolitan area. The Company has been organized and operates in conformity with the requirements for qualification and taxation as a real estate investment trust ("REIT") under the U.S. federal income tax law and elected to be treated as a REIT commencing with the taxable year ended December 31, 2015.

As of September 30, 2024, the Company owns:

- two neighboring residential/retail rental properties at 50 Murray Street and 53 Park Place in the Tribeca neighborhood of Manhattan;
- one residential property complex in the East Flatbush neighborhood of Brooklyn consisting of 59 buildings;
- two primarily commercial properties in Downtown Brooklyn (one of which includes 36 residential apartment units);
- one residential/retail rental property at 1955 1st Avenue in Manhattan;
- one residential rental property at 107 Columbia Heights in the Brooklyn Heights neighborhood of Brooklyn;
- one residential rental property at 10 West 65th Street in the Upper West Side neighborhood of Manhattan;
- one residential rental property at 1010 Pacific Street in the Prospect Heights neighborhood of Brooklyn; and
- the Dean Street property, to be redeveloped as a residential/retail rental building.

These properties are located in the most densely populated major city in the United States, each with immediate access to mass transportation.

The Company's ownership interest in its initial portfolio of properties, which includes the Tribeca House, Flatbush Gardens and the two Livingston Street properties, was acquired in the formation transactions in connection with the private offering. These properties are owned by the LLC subsidiaries, which are managed by the Company through the Operating Partnership. The Operating Partnership's interests in the LLC subsidiaries generally entitle the Operating Partnership to all cash distributions from, and the profits and losses of, the LLC subsidiaries other than the preferred distributions to the continuing investors who hold Class B LLC units in these LLC subsidiaries. The continuing investors own an aggregate amount of 26,317,396 Class B LLC units, representing 62.1% of the Company's common stock on a fully diluted basis. Accordingly, the Operating Partnership's interests in the LLC subsidiaries entitle the Operating Partnership to receive 37.9% of the aggregate distributions from the LLC subsidiaries. The Company, through the Operating Partnership, owns all of the ownership interests in the Aspen property, the Clover House property, the 10 West 65th Street property, the 1010 Pacific Street property and the Dean Street property.

How We Derive Our Revenue

Our revenue consists primarily of rents received from our residential, commercial and, to a lesser extent, retail tenants. We have two reportable operating segments, Residential Rental Properties and Commercial Rental Properties. See Note 9, "Segment Reporting" to our condensed consolidated financial statements included in this Form 10-Q.

Trends

As of February 23, 2024, the City of New York informed the Company of its intention to terminate the lease at 250 Livingston Street effective August 23, 2025. Additionally, as we move forward with the approaching expiration of the lease at 141 Livingston Street in December 2025, the Company and the City of New York are negotiating the terms of a five-year extension of their current lease. There can be no assurance that the negotiations will conclude with an agreement and the Company is at risk of not replacing the City of New York as its tenant or not being able to replace it at comparable rents. See "- Liquidity and Capital Resources" below and Part II, Item 1A. Risk Factors."

Results of Operations

Our focus throughout 2023 and year-to-date 2024 has been to manage our properties to optimize revenues and control costs, while continuing to renovate and reposition certain properties. The discussion below highlights the specific properties contributing to the changes in the results of operations and focuses on the properties that were in operation for the full period in each comparison.

Income Statement for the Three Months Ended September 30, 2024 and 2023 (in thousands except rent per square foot and occupancy)

	2024	2023	Increase (decrease)	%
Revenues				
Residential rental income	\$ 27,846	\$ 25,501	\$ 2,345	9.2%
Commercial rental income	9,776	9,627	149	1.5%
Total revenues	37,622	35,128	2,494	7.1%
Operating Expenses				
Property operating expenses	8,482	7,930	552	7.0%
Real estate taxes and insurance	7,562	7,374	188	2.5%
General and administrative	3,370	3,340	30	0.9%
Depreciation and amortization	7,456	7,282	174	2.4%
Total operating expenses	26,870	25,926	944	3.6%
Income from operations	10,752	9,202	1,550	16.8%
Interest expense, net	(11,840)	(11,527)	(313)	(2.7)%
Net loss	\$ (1,088)	\$ (2,325)	\$ 1,237	53.2%

Revenue. Residential rental income increased to \$27,846 for the three months ended September 30, 2024, from \$25,501 for the three months ended September 30, 2023, primarily due to increases in rental rates and leased occupancy at all properties in 2024 partially offset by higher bad debt expense. For example, base rent per square foot increased at the Tribeca House property to \$82.39 (99.8% leased occupancy) at September 30, 2024, from \$78.22 (98.2% leased occupancy) at September 30, 2023, the Flatbush Gardens property to \$29.07 (98.6% leased occupancy) at September 30, 2024, from \$26.62 (98.6% leased occupancy) at September 30, 2023 and the 1010 Pacific Street property to \$62.67 (96.6% leased occupancy) at September 30, 2024, from \$58.20 (93.2% leased occupancy) at September 30, 2023.

Commercial rental income increased to \$9,776 for the three months ended September 30, 2024, from \$9,627 for the three months ended September 30, 2023 due to higher real estate tax reimbursement income at our commercial properties.

Property operating expenses. Property operating expenses include property-level costs such as compensation costs for property-level personnel, repairs and maintenance, supplies, utilities and landscaping. Property operating expenses increased to \$8,482 for the three months ended September 30, 2024, from \$7,930 for the three months ended September 30, 2023, primarily due to higher payroll costs at Flatbush Gardens due to the prevailing wage requirement from the Article 11 transaction, higher utilities costs and higher tenant legal costs, partially offset by lower repairs and maintenance costs.

Real estate taxes and insurance. Real estate taxes and insurance expenses increased to \$7,562 for the three months ended September 30, 2024, from \$7,374 for the three months ended September 30, 2023, primarily due to slightly increased real estate taxes across the portfolio, partially offset by lower insurance costs.

General and administrative. General and administrative expenses increased to \$3,370 for the three months ended September 30, 2024, from \$3,340 for the three months ended September 30, 2023.

Depreciation and amortization. Depreciation and amortization expense increased to \$7,456 for the three months ended September 30, 2024, from \$7,282 for the three months ended September 30, 2023 due to additions to real estate across the portfolio

Interest expense, net. Interest expense, net, increased to \$11,840 for the three months ended September 30, 2024, from \$11,527 for the three months ended September 30, 2023 primarily due to increased borrowings at the 1010 Pacific Property in the third quarter of 2023.

Net loss. As a result of the foregoing, net loss decreased to \$1,088 for the three months ended September 30, 2024, from \$2,325 for the three months ended September 30, 2023.

Income Statement for the Nine Months Ended September 30, 2024 and 2023 (in thousands)

	2024	Less: 1010 Pacific	2024 Excluding 1010 Pacific	2023	Less: 1010 Pacific	2023: Excluding 1010 Pacific	Increase (decrease)	%
Revenues								
Residential rental income	\$ 81,700	\$ 4,948	\$ 76,752	\$ 74,481	\$ 1,952	\$ 72,529	\$ 4,223	5.8%
Commercial rental income	29,028	54	28,974	28,857	12	28,845	129	(0.4)%
Total revenues	110,728	5,002	105,726	103,338	1,964	101,374	4,352	4.3%
Operating Expenses								
Property operating expenses	26,100	683	25,417	22,811	458	22,353	3,064	13.7%
Real estate taxes and insurance	22,137	(75)	22,212	24,610	236	24,373	(2,161)	(8.9)%
General and administrative	10,380	330	10,050	10,029	198	9,831	219	2.2%
Transaction pursuit costs	-	-	-	357	-	357	(357)	(100.0)%
Depreciation and amortization	22,289	1,063	21,226	21,376	851	20,524	702	3.4%
Total operating expenses	80,906	2,001	78,905	79,183	1,743	77,438	1,467	1.9%
Income from operations	29,822	3,001	26,821	24,155	221	23,936	2,885	12.1%
Interest expense, net	(35,320)	(3,846)	(31,474)	(32,996)	(1,656)	(31,340)	(134)	(0.4)%
Loss on modification/extinguishment of debt	-	-	-	(3,868)	-	(3,868)	3,868	(100.0)%
Net loss	\$ (5,498)	\$ (845)	\$ (4,653)	\$ (12,709)	\$ (1,435)	\$ (11,272)	\$ 6,619	58.7%

Revenue. Residential rental income increased to \$76,752 for the nine months ended September 30, 2024, from \$72,529 for the nine months ended September 30, 2023, primarily due to increases in rental rates and leased occupancy at all properties partially offset by higher bad debt expense. For example, base rent per square foot increased at the Tribeca House property to \$82.39 (99.8% leased occupancy) at September 30, 2024, from \$78.22 (98.2% leased occupancy) at September 30, 2023, the Flatbush Gardens property to \$29.07 (98.6% leased occupancy) at September 30, 2024, from \$26.62 (98.6% leased occupancy) at September 30, 2023 and the 1010 Pacific Street property to \$62.67 (96.6% leased occupancy) at September 30, 2024, from \$58.20 (93.2% leased occupancy) at September 30, 2023.

Commercial rental income increased to \$28,974 for the nine months ended September 30, 2024, from \$28,845 for the nine months ended September 30, 2023, primarily due to higher property tax reimbursement income at our Livingston office properties, partially offset by lower rents at our Tribeca House and slightly higher bad debt expense.

Property operating expenses. Property operating expenses include property-level costs such as compensation costs for property-level personnel, repairs and maintenance, supplies, utilities and landscaping. Property operating expenses increased to \$25,417 for the nine months ended September 30, 2024, from \$22,353 for the nine months ended September 30, 2023, primarily due to higher apartment repairs costs at Flatbush Gardens to prepare units for leasing, higher payroll costs at Flatbush Gardens due to the living wage requirement from the Article 11 transaction, higher utilities and water and sewer cost and higher tenant legal costs slightly offset by lower supplies expense.

Real estate taxes and insurance. Real estate taxes and insurance expenses decreased to \$22,212 for the nine months ended September 30, 2024, from \$24,373 for the nine months ended September 30, 2023, primarily due to the real estate tax exemption at Flatbush Gardens that began July 1, 2023, partially offset by increased real estate taxes at the remainder of the portfolio and higher insurance costs across the portfolio.

General and administrative. General and administrative expenses increased to \$10,050 for the nine months ended September 30, 2024, from \$9,831 for the September months ended September 30, 2023 primarily due to higher payroll expenses, partially offset by lower accounting fees in the period ended September 30, 2024 due to higher fees that were incurred in the period ended September 30, 2023 in relation to the separation from our prior auditor.

Transaction pursuit costs. Transaction pursuit costs primarily reflect costs incurred in respect of the entry into the Article 11 Agreement during the nine-months ended September 30, 2024.

Depreciation and amortization. Depreciation and amortization expense increased to \$21,226 for the nine months ended September 30, 2024, from \$20,524 for the nine months ended September 30, 2023, due to the additions to real estate across the portfolio during the nine months ended September 30, 2024.

Interest expense, net. Interest expense, net, increased to \$31,474 for the nine months ended September 30, 2024, from \$31,340 for the nine months ended September 30, 2023 primarily due to increased interest at the 10 West 65th Street as a result of the interest rate changing from fixed to a floating rate in the fourth quarter of 2022.

Loss on modification/extinguishment of debt. Loss on the extinguishment of debt consists of costs related to the early termination of our construction loan at 1010 Pacific. Additionally, we accelerated the remaining unamortized loan costs from the prior loan.

Net loss. As a result of the foregoing, net loss decreased to \$4,653 for the nine months ended September 30, 2024, from \$11,272 for the nine months ended September 30, 2023.

Liquidity and Capital Resources

As of September 30, 2024, we had \$1.258 million indebtedness, net of unamortized issuance costs, secured by our properties, \$18.6 million of cash and cash equivalents, and \$17.5 million of restricted cash. See Note 4, "Notes Payable" of our consolidated financial statements for a discussion of the Company's property-level debt.

Our short-term liquidity needs will primarily be to fund operating expenses, capital expenditures, property taxes and insurance, interest and scheduled debt principal payments, general and administrative expenses, and distributions to stockholders and unit holders. As a REIT, we are required to distribute at least 90% of our REIT taxable income, computed without regard to the dividends paid deduction and excluding net capital gains, to stockholders on an annual basis.

In connection with the notice of termination of the City of New York lease at our 250 Livingston Street property and pursuant to the terms of the loan agreement described in Note 4, our available cash will be impacted by the establishment of a cash management account for the benefit of the Lender, which the Company expects to establish shortly, into which the Company will be obligated to deposit all revenue generated by the property. Additionally, the Company and the City of New York are negotiating the terms of a five-year extension of its current lease at 141 Livingston Street upon its termination in December of 2025. There can be no assurance that the negotiations will conclude with an agreement. Should the lease not be extended for a minimum of five years, in accordance with the terms of the mortgage note, the Company will be required to either fund an escrow account in the amount of \$10,000 payable in equal monthly payments over the 18 months after lease expiration or deliver to the lender a letter of credit in the amount of \$10,000. The loan servicer has, we believe, erroneously interpreted the loan agreement to require that the monthly payments begin July 2024 and we continue to discuss this issue with the servicer.

On October 28, 2024 we received notice that as of October 7, 2024 the servicing of the mortgage note was transferred to a special servicer ("Special Servicer") due to, they contend, our failure to make certain required payments under the loan, including, but not limited to, the reserve monthly deposit. The Special Servicer has demanded that we pay \$2,222 of reserve payments into an escrow account immediately and continued monthly payments of \$555 for an additional 14 months, \$1,166 of default interest and late charges through October 7, 2024, and an additional \$10 per diem interest for each day thereafter. We contend the Special Servicer has misinterpreted the terms of the loan agreement requiring monthly reserve payments beginning on July 7, 2024, and that the Company has no obligation to make reserve payments at this time under the terms of the loan agreement. We continue to discuss this issue with the Special Servicer.

Our principal long-term liquidity needs will primarily be to fund additional property acquisitions, major renovations and upgrading projects, leasehold improvements at the 250 Livingston property upon identification of a new tenant following move-out of the existing City of New York tenant, and debt payments at maturity and funding a \$10,000 escrow and other payments discussed above, related to the 141 Livingston Street property if the Company we and the City of New York are unable to agree to terms of the lease extension and we and the Special Servicer are unable to agree on the terms of the loan agreement related to such property.

We generally expect to meet our short-term and long-term liquidity requirements by using by cash on hand, as well as cash provided by operations, sales of certain properties, long-term secured or unsecured debt offerings and/or funds from public or private equity offerings. However, we cannot provide assurance that this will be the case. Our ability to secure additional debt will depend on a number of factors, including our cash flow from operations, our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed. Our ability to access the equity capital markets will depend on a number of factors as well, including general market conditions for REITs and market perceptions about our company.

We believe that our current cash flows from operations and cash on hand coupled with sales of certain properties, long-term secured or unsecured debt offerings and/or funds from public or private equity offerings, will be sufficient to allow us to continue operations, satisfy our contractual obligations and make distributions to our stockholders and the members of our LLC subsidiaries for at least the next twelve months. However, no assurance can be given that we will be able to refinance any of our outstanding indebtedness in the future on favorable terms or at all.

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. On August 1, 2024 the company declared dividends and distributions on our common shares, Class B LLC units and LTIP units totaling \$4.4 million paid on August 22, 2024. During the three months ended September 30, 2024 and 2023, we paid dividends and distributions on our common shares, Class B LLC units and LTIP units totaling \$4.4 million and \$4.3 million, respectively.

Cash Flows for the Nine Months Ended September 30, 2024 and 2023 (in thousands)

	Nine Months Ended September 30,	
	2024	2023
Operating activities	\$ 21,337	\$ 17,130
Investing activities	(57,097)	(27,783)
Financing activities	35,629	17,341

Cash flows provided by (used in) operating activities, investing activities and financing activities for the nine months ended September 30, 2024 and 2023, were as follows:

Net cash flow provided by operating activities was \$21,337 for the nine months ended September 30, 2024, compared to \$17,130 for the nine months ended September 30, 2023. The increase in operating cash flows in the period ended September 30, 2024 from September 30, 2023 is primarily the result of an increase in revenues net of slightly higher expenses.

Net cash used in investing activities was \$57,097 for the nine months ended September 30, 2024, compared to \$27,783 for the nine months ended September 30, 2023. The increase was primarily due to higher capital spending for the Dean Street development of \$34,689 and higher capital spending at Flatbush Gardens of \$5,857, partially offset by decreased spending at 1010 Pacific Street of \$9,759.

Net cash provided by financing activities was \$35,629 for the nine months ended September 30, 2024, compared to \$17,341 for the nine months ended September 30, 2023. Cash was provided in the nine months ended September 30, 2024, by \$50,300 borrowings related to the Dean Street property, partially offset by \$1,483 of amortization payments and dividend and distributions of \$13,189. Cash was provided in the nine months ended September 30, 2023, by \$40,617 refinancing the 1010 Pacific Street and Dean Street property loans, partially offset by scheduled debt amortization payments, \$9,921 of loan extinguishment and issuance costs, and \$13,044 of dividends and distributions.

Income Taxes

No provision has been made for income taxes since all of the Company's operations are held in pass-through entities and accordingly the income or loss of the Company is included in the individual income tax returns of the partners or members.

We elected to be treated as a REIT for U.S. federal income tax purposes, beginning with our first taxable three months ended March 31, 2015. As a REIT, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate tax rates. We believe that we are organized and operate in a manner that will enable us to qualify and be taxed as a REIT and we intend to continue to satisfy the requirements for qualification as a REIT for federal income tax purposes.

Inflation

Inflation has recently become a factor in the United States economy and has increased the cost of acquiring, developing, replacing and operating properties. A substantial portion of our interest costs relating to operating properties are fixed through 2027. Leases at our residential rental properties, which comprise approximately 74% of our revenue, are short-term in nature and permit rent increases to recover increased costs, and our longer-term commercial and retail leases generally allow us to recover some increased operating costs.

Non-GAAP Financial Measures

In this Quarterly Report on Form 10-Q, we disclose and discuss funds from operations ("FFO"), adjusted funds from operations ("AFFO"), adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") and net operating income ("NOI"), all of which meet the definition of "non-GAAP financial measures" set forth in Item 10(e) of Regulation S-K promulgated by the SEC.

While management and the investment community in general believe that presentation of these measures provides useful information to investors, neither FFO, AFFO, Adjusted EBITDA, nor NOI should be considered as an alternative to net income (loss) or income from operations as an indication of our performance. We believe that to understand our performance further, FFO, AFFO, Adjusted EBITDA, and NOI should be compared with our reported net income (loss) or income from operations and considered in addition to cash flows computed in accordance with GAAP, as presented in our consolidated financial statements.

Funds From Operations and Adjusted Funds From Operations

FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property and impairment adjustments, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Our calculation of FFO is consistent with FFO as defined by NAREIT.

AFFO is defined by us as FFO excluding amortization of identifiable intangibles incurred in property acquisitions, straight-line rent adjustments to revenue from long-term leases, amortization costs incurred in originating debt, interest rate cap mark-to-market adjustments, amortization of non-cash equity compensation, acquisition and other costs, transaction pursuit costs, loss on modification/extinguishment of debt, gain on involuntary conversion, gain on termination of lease and certain litigation-related expenses, less recurring capital spending.

Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. In fact, real estate values have historically risen or fallen with market conditions. FFO is intended to be a standard supplemental measure of operating performance that excludes historical cost depreciation and valuation adjustments from net income. We consider FFO useful in evaluating potential property acquisitions and measuring operating performance. We further consider AFFO useful in determining funds available for payment of distributions. Neither FFO nor AFFO represent net income (loss) or cash flows from operations computed in accordance with GAAP. You should not consider FFO and AFFO to be alternatives to net income (loss) as reliable measures of our operating performance; nor should you consider FFO and AFFO to be alternatives to cash flows from operating, investing or financing activities (computed in accordance with GAAP) as measures of liquidity.

Neither FFO nor AFFO measure whether cash flow is sufficient to fund all of our cash needs, including principal amortization, capital improvements and distributions to stockholders. FFO and AFFO do not represent cash flows from operating, investing or financing activities computed in accordance with GAAP. Further, FFO and AFFO as disclosed by other REITs might not be comparable to our calculations of FFO and AFFO.

The following table sets forth a reconciliation of the Company's FFO and AFFO for the periods presented to net loss, computed in accordance with GAAP (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
FFO				
Net loss	\$ (1,088)	\$ (2,325)	\$ (5,496)	\$ (12,709)
Real estate depreciation and amortization	7,456	7,282	22,289	21,376
FFO	\$ 6,368	\$ 4,957	\$ 16,793	\$ 8,667
AFFO				
FFO	\$ 6,368	\$ 4,957	\$ 16,793	\$ 8,667
Amortization of real estate tax intangible	120	120	361	361
Amortization of above- and below-market leases	-	(1)	-	(18)
Straight-line rent adjustments	81	39	168	66
Amortization of debt origination costs	530	423	1,591	1,098
Amortization of LTIP awards	713	783	1,987	2,214
Transaction pursuit costs	—	—	—	357
Loss on extinguishment / modification of debt	—	—	—	3,868
Certain litigation-related expenses	—	(10)	—	(10)
Recurring capital spending	(50)	(51)	(184)	(375)
AFFO	\$ 7,762	\$ 6,260	\$ 20,716	\$ 16,228

Adjusted Earnings Before Interest, Income Taxes, Depreciation and Amortization

We believe that Adjusted EBITDA is a useful measure of our operating performance. We define Adjusted EBITDA as net income (loss) before allocation to non-controlling interests, plus real estate depreciation and amortization, amortization of identifiable intangibles, straight-line rent adjustments to revenue from long-term leases, amortization of non-cash equity compensation, interest expense (net), acquisition and other costs, transaction pursuit costs, loss on modification/extinguishment of debt and certain litigation-related expenses, less gain on involuntary conversion and gain on termination of lease.

We believe that this measure provides an operating perspective not immediately apparent from GAAP income from operations or net income (loss). We consider Adjusted EBITDA to be a meaningful financial measure of our core operating performance.

However, Adjusted EBITDA should only be used as an alternative measure of our financial performance. Further, other REITs may use different methodologies for calculating Adjusted EBITDA, and accordingly, our Adjusted EBITDA may not be comparable to that of other REITs.

The following table sets forth a reconciliation of Adjusted EBITDA for the periods presented to net loss, computed in accordance with GAAP (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Adjusted EBITDA				
Net loss	\$ (1,088)	\$ (2,325)	\$ (5,496)	\$ (12,709)
Real estate depreciation and amortization	7,456	7,282	22,289	21,376
Amortization of real estate tax intangible	120	120	361	361
Amortization of above- and below-market leases	—	(1)	—	(18)
Straight-line rent adjustments	81	39	168	66
Amortization of LTIP awards	713	783	1,987	2,214
Interest expense, net	11,840	11,527	35,320	32,996
Transaction pursuit costs	—	—	—	357
Loss on extinguishment / modification of debt	—	—	—	3,868
Certain litigation-related expenses	—	(10)	—	(10)
Adjusted EBITDA	\$ 19,122	\$ 17,415	\$ 54,629	\$ 48,501

Net Operating Income

We believe that NOI is a useful measure of our operating performance. We define NOI as income from operations plus real estate depreciation and amortization, general and administrative expenses, acquisition and other costs, transaction pursuit costs, amortization of identifiable intangibles and straight-line rent adjustments to revenue from long-term leases, less gain on termination of lease. We believe that this measure is widely recognized and provides an operating perspective not immediately apparent from GAAP income from operations or net income (loss). We use NOI to evaluate our performance because NOI allows us to evaluate the operating performance of our company by measuring the core operations of property performance and capturing trends in rental housing and property operating expenses. NOI is also a widely used metric in valuation of properties.

However, NOI should only be used as an alternative measure of our financial performance. Further, other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to that of other REITs.

The following table sets forth a reconciliation of NOI for the periods presented to income from operations, computed in accordance with GAAP (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
NOI				
Income from operations	\$ 10,752	\$ 9,202	\$ 29,824	\$ 24,155
Real estate depreciation and amortization	7,456	7,282	22,289	21,376
General and administrative expenses	3,370	3,340	10,380	10,029
Transaction pursuit costs	-	-	-	357
Amortization of real estate tax intangible	121	120	361	361
Amortization of above- and below-market leases	-	(1)	-	(18)
Straight-line rent adjustments	81	39	168	66
NOI	\$ 21,780	\$ 19,982	\$ 63,022	\$ 56,326

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that there have been no material changes to the items that we disclosed as our critical accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Form 10-K for the year ended December 31, 2023.

Recent Accounting Pronouncements

See Note 2, "Significant Accounting Policies" of our consolidated financial statements for a discussion of recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair value relevant to our financial instruments depend upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Based upon the nature of our operations, the principal market risk to which we are exposed is the risk related to interest rate fluctuations. Many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control, contribute to interest rate risk.

A one percent change in interest rates on our \$132.0 million of variable rate debt as of September 30, 2024, would impact annual net loss by approximately \$1.3 million.

At September 30, 2024, there were no interest rate caps for the Company's outstanding debt.

The fair value of the Company's notes payable was approximately \$1,196.7 million and \$1,160.4 million as of September 30, 2024 and December 31, 2023, respectively

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2024. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, and summarized, within the time periods specified in the SEC's rules and forms.

We continue to review and document our disclosure controls and procedures, including our internal controls and procedures for financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 7, "Commitments and Contingencies" of our condensed consolidated financial statements for a discussion of legal proceedings.

ITEM 1A. RISK FACTORS

The risk factors disclosed in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, set forth information relating to various risks and uncertainties that could materially adversely affect our business, financial condition, liquidity, and operating results. Such risk factors continue to be relevant to an understanding of our business, financial condition, liquidity and operating results, and there have been no material changes to those risk factors for the nine months ended September 30, 2024, except for the following updates:

We depend on certain agencies of the City of New York, as a single government tenant in our office buildings, which could cause an adverse effect on us, including our financial condition, results of operations and cash flow when these agencies opt to early terminate or opt not to renew their leases.

Our rental revenue depends on entering into leases with and collecting rents from tenants. As of September 30, 2024, Kings County Court, the Human Resources Administration, and the Department of Environmental Protection, all of which are agencies of the City of New York, leased an aggregate of 548,580 rentable square feet of commercial space at our commercial office properties at 141 Livingston Street and 250 Livingston Street, representing approximately 22% of our total revenues for the nine months ended September 30, 2024.

As of February 23, 2024, The City of New York, a municipal corporation acting through the Department of Citywide Administrative Services ("NYC"), notified us of its intention to terminate its lease at 250 Livingston Street effective August 23, 2025. The lease generally provides for rent payments in the amount of \$15.4 million per annum. The Company may be unable to replace NYC as a tenant or unable to replace them with other commercial tenants at comparable rent rates, may incur substantial costs to improve the vacated space or may have to offer significant inducements to fill the space, all of which may have an adverse effect on our financial condition, results of operations and cash flow. In connection with the termination of the 250 Livingston lease, pursuant to the terms of the loan agreement related to \$125 million building mortgage, we expect to establish shortly a cash management account for the benefit of the lender, into which we will be obligated to deposit all revenue generated by the building at 250 Livingston Street. All amounts remaining in such cash management account after the lender's allocations set forth in the loan agreement will be disbursed to us once the tenant cure conditions are satisfied under the loan agreement. If we are unable to replace the NYC lease at comparable rents, we may not be able to cure the conditions listed in the loan agreement. If the excess cash is not released to us, it could impact our available cash to fund corporate operations and pay dividends and distributions to our stockholders.

If NYC were to decide not to renew the 141 Livingston Street lease which expires December 27, 2025, which is the stated termination date pursuant to the terms of the lease, we would be at risk of not being able to replace the NYC as a tenant, leasing the space below the current rates, incurring costs to improve the space or offer other inducements to fill the space, all of which may have an adverse effect on our financial condition, results of operations and cash flow. If we are not able to extend or replace the NYC lease at our 141 Livingston property for a minimum of a five year term, we will be required to either fund an escrow account in the amount of \$10,000 payable in equal monthly payments over the 18 months after lease expiration or deliver to the lender a letter of credit in the amount of \$10,000.

In addition, on October 28, 2024 we received notice that as of October 7, 2024 the servicing of the mortgage note was transferred to a special servicer ("Special Servicer") due to, they contend, our failure to make certain required payments under the loan, including, but not limited to, the reserve monthly deposit. The Special Servicer has demanded that we pay \$2,222 of reserve payments into an escrow account immediately and continued monthly payments of \$555 for an additional 14 months, \$1,166 of default interest and late charges through October 7, 2024, and an additional \$10 per diem interest for each day thereafter. We contend the Special Servicer has misinterpreted the terms of the loan agreement requiring monthly reserve payments beginning on July 7, 2024, and that the Company has no obligation to make reserve payments at this time under the terms of the loan agreement. We continue to discuss this issue with the Special Servicer.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

See Note 4, Notes Payable, to Condensed Consolidated Financial Statements (Unaudited) included in Part I of this Form 10-Q and Item 5 below for information related to 141 Livingston Street property.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

The Company's subsidiary, 141 Livingston Owner LLC, and Citi Real Estate Funding Inc. entered into the Loan Agreement, dated as of February 18, 2021 related to the Company's 141 Livingston property (the "Loan Agreement"). The Company and the City of New York that leases commercial space at 141 Livingston Street property are negotiating the terms of a five-year extension of the current lease upon its termination in December of 2025. There can be no assurance that the negotiations will conclude with an agreement.

On October 28, 2024 we received notice that as of October 7, 2024 the servicing of the mortgage note was transferred to a special servicer ("Special Servicer") due to, they contend, our failure to make certain required payments under the loan, including, but not limited to, the reserve monthly deposit. The Special Servicer has demanded that we pay \$2,222 of reserve payments into an escrow account immediately and continued monthly payments of \$555 for an additional 14 months, \$1,166 of default interest and late charges through October 7, 2024, and an additional \$10 per diem interest for each day thereafter. We contend the Special Servicer has misinterpreted the terms of the loan agreement requiring monthly reserve payments beginning on July 7, 2024, and that the Company has no obligation to make reserve payments at this time under the terms of the loan agreement. We continue to discuss this issue with the Special Servicer.

ITEM 6. EXHIBITS

Exhibit Number	Description
*31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
*31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
**101.SCH	Inline XBRL Taxonomy Extension Schema Document
**101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
**101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
**101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
**101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
**104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Filed herewith

**Submitted electronically with the report

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned.

CLIPPER REALTY INC.

October 31, 2024

By: /s/ David Bistricher
David Bistricher
Co-Chairman and Chief Executive Officer

By: /s/ Lawrence E. Kreider
Lawrence E. Kreider
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of Clipper Realty Inc. (the "Company") for the period ended September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2024

Signed: _____
/s/ David Bistricher
David Bistricher
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of Clipper Realty Inc. (the "Company") for the period ended September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2024

Signed: _____
/s/ Lawrence E. Kreider
Lawrence E. Kreider
Chief Financial Officer