BRT REALTY TRUST
Form 10-K
December 13, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

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

For the fiscal year ended
September 30, 2016
Or

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

Commission file number 001-07172
BRT REALTY TRUST
(Exact name of registrant as specified in its charter)

Massachusetts	13-2755856
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
60 Cutter Mill Road, Great Neck, New York	11021
(Address of principal executive offices)	(Zip Code)

516-466-3100
Registrant's telephone number, including area code
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Shares of Beneficial Interest, $3.00 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
NONE
(Title of Class)
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately $54.4 million based on the last sale price of the common equity on March 31, 2016, which is the last business day of the registrant's most recently completed second quarter.

As of December 1, 2016, the registrant had 13,898,835 Shares of Beneficial Interest outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual meeting of shareholders of BRT Realty Trust to be filed not later than January 30, 2017 are incorporated by reference into Part III of this Form 10-K.

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Forward-Looking Statements

This Annual Report on Form 10-K, together with other statements and information publicly disseminated by us, contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends concerning matters that are not historical facts. Forward looking statements are generally identifiable by use of words such as "may," "will," "will likely result," "shall," "should," "could," "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions or variations thereof.

Forward-looking statements contained in this Annual Report on Form 10- K are based on our beliefs, assumptions and expectations of our future performance taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control, and which could materially affect actual results, performance or achievements. Factors which may cause actual results to vary from our forward-looking statements include, but are not limited to:

- factors described in this Annual Report on Form 10-K, including those set forth under the captions "Risk Factors" and "Business";
- our acquisition strategy, which may not produce the cash flows or income expected;
- competition could adversely affect our ability to acquire properties;
- competition could limit our ability to lease apartments or increase or maintain rental income;
- losses from catastrophes may exceed all insurance coverage;
- a limited number of multi-family property acquisition opportunities acceptable to us;
- national and local economic and business conditions;
- general and local real estate property market conditions;
- the condition of Fannie Mae or Freddie Mac, which could adversely impact us;
- our failure to comply with laws, including those requiring access to our properties by disabled persons, which could result in substantial costs;
- insufficient cash flows, which could limit our ability to make required payments on our debt obligations;
- an inability to renew, repay, or refinance our outstanding debt;
- limitation of credit by institutional lenders;
- impairment in the value of real estate property we own;
- failure of property managers to properly manage properties;
- disagreements with, or misconduct by, joint venture partners;
- changes in national and local government policies;
- increases in real estate taxes at properties we acquire due to such acquisitions or other factors;
- changes in Federal, state and local governmental laws and regulations;
- changes in interest rates; and
- the availability of and costs associated with sources of capital and liquidity.

We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. Except to the extent required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of the filing of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events.

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PART I

Item l. Business.

General

We are an internally managed real estate investment trust, also known as a REIT, that is primarily focused on the ownership, operation and development of multi-family properties. These activities are primarily conducted through joint ventures in which we typically have an 80% equity interest in the entity owning the property. At September 30, 2016, we own 33 multi-family properties (four of which are wholly-owned) located in ten states with an aggregate of 9,420 units and a net book value of approximately $783.1 million. At November 30, 2016, we own 32 multi-family properties (four of which are wholly owned) located in 11 states with an aggregate of 9,066 units, including a development project at which the construction of a 339 unit multi-family property is contemplated. Most of our properties are located in the Southeast United States and Texas. We commenced our multi-family activities in March 2012.

For more than the past five years, we also engaged in two other principal business activities: (i) real estate lending; and (ii) the ownership, operation and development of commercial, mixed use and other real estate assets.

Our real estate lending activities involved originating and holding for investment short-term senior mortgage loans secured by commercial and multi-family real estate property in the United States. These lending activities decreased during the past five years (i.e., $0, $0, $5.0 million, $5.5 million and $70.3 million of loan originations in 2016, 2015, 2014, 2013 and 2012, respectively). As of November 1, 2014, we are no longer engaged in real estate lending.

We also own and operate other real estate assets. During the past several years, these other real estate assets primarily consisted of our interest in a consolidated joint venture, which we refer to as the Newark Joint Venture, which owned several properties (including development sites) in Newark, New Jersey. At September 30, 2015, the net book value of the Newark Joint Venture's real estate assets was $141.4 million. On February 23, 2016, we sold all of our interest in the Newark Joint Venture for $16.9 million, and in the quarter ended March 31, 2016, recognized a $15.5 million gain on this sale. As a result of this sale, the $19.5 million mortgage loan owed to us by the Newark Joint Venture (the "NJV Loan Receivable"), which prior to such sale had been eliminated in consolidation, is reflected on our consolidated balance sheet as a real estate loan. See Notes 1 and 4 to our consolidated financial statements. At September 30, 2016, the net book value of our other real estate assets, including the NJV Loan Receivable, is $30.0 million. See " - Our Other Real Estate Assets and Activities."

Information regarding our multi-family property and other real estate assets segments is included in Note 4 to our consolidated financial statements and is incorporated herein by this reference. The financial information, including our consolidated financial statements, included herein has been reclassified to present our real estate lending activities and the assets, liabilities and results of operations of the Newark Joint Venture as discontinued operations. See Notes 1 and 4 to our consolidated financial statements.

We were organized as a business trust under the laws of the Commonwealth of Massachusetts in June 1972. Our address is 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021, telephone number 516-466-3100. Our website can be accessed at www.brtrealty.com, where copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the Securities and Exchange Commission, or SEC, can be obtained free of charge. These SEC filings are added to our website as soon as reasonably practicable.

Unless otherwise indicated or the context otherwise requires, all references to (i) "us", "we" or terms of like import refer to BRT Realty Trust and its consolidated subsidiaries and the term "BRT" refers to BRT Realty Trust and its wholly owned subsidiaries, (ii) a year (e.g., 2016) refers to the applicable fiscal year ended September 30th, (iii) the sale of properties includes the sale of our partnership interest in a venture that owned Village Green, a Little Rock, AK multi-family property, and (iv) "same store properties" refer to properties that we owned and operated for the entirety of both periods being compared, except for properties that are in the construction or lease-up phase, or properties that are undergoing development or significant redevelopment. We move properties previously excluded from our same store portfolio for these reasons into the same store designation once they have stabilized or the development or redevelopment is complete and such status has been reflected fully in all quarters during the applicable periods of comparison. For newly constructed or lease-up properties or properties undergoing development or significant redevelopment, we consider a property stabilized upon attainment of 90% physical occupancy.

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Our Multi-Family Property Activities

Generally, our multifamily properties are garden apartment, mid-rise or town home style properties that provide residents with amenities, such as a clubhouse, swimming pool, laundry facilities and cable television access. Residential leases are typically for a one year term and may require security deposits equal to one month's rent. Substantially all of the units at these properties are leased at market rates. Set forth below is selected information regarding the multi-family properties owned by us as of September 30, 2016:

Property Name and Location	Number of Units	Age(1)	Acquisition Date	Our Percentage Ownership (%)	Average Monthly Rental Rate per Occupied Unit 2016 (2)($)	Average Monthly Rental Rate per Occupied Unit 2015 (2)($)	Average Monthly Rental Rate per Occupied Unit 2014 (2)($)	Average Monthly Rental Rate per Occupied Unit 2013 (2)($)
The Fountains Apartments—Palm Beach Gardens, FL(3)	542	45	3/22/2012	80	1,239	1,169	1,050	1,000
Waverly Place Apartments—Melbourne, FL(3)	208	29	3/30/2012	80	866	798	722	655
Silvana Oaks Apartments—N. Charleston, SC	208	6	10/4/2012	100	1,077	998	970	903
Avondale Station—Decatur, GA	212	62	11/19/2012	100	920	852	776	708
Spring Valley Apartments—Panama City, FL(6)	160	29	1/11/2013	80	849	807	760	699
Stonecrossing Apartments—Houston, TX(3)	240	38	4/19/2013	91	906	884	856	832
Pathways—Houston, TX(3)	144	37	6/7/2013	91	909	886	823	791
Autumn Brook Apartments—Hixon, TN(6)	156	27	6/25/2013	75	795	756	746	743
Ashwood Park — Pasadena, TX(3)	144	32	10/15/2013	80	746	696	642	632
Meadowbrook Apartments—Humble, TX(3)	260	34	10/15/2013	80	757	705	641	659
Parkside Apartments—Humble, TX(3)	160	33	10/15/2013	80	781	734	669	690
Brixworth at Bridge Street—Huntsville, AL	208	31	10/18/2013	80	688	655	650	668
Newbridge Commons—Columbus, OH	264	17	11/21/2013	100	762	729	691	684
	400	33	1/21/2014	80	642	621	609	—

Waterside at Castleton—Indianapolis, IN								
Southridge—Greenville, SC(4)	350	1	1/31/2014	74	1,255	N/A	N/A	—
Crossings of Bellevue—Nashville, TN	300	31	4/2/2014	80	1,032	955	907	—
Sandtown Vista—Atlanta, GA(6)	350	6	6/26/2014	80	922	847	817	—
Kendall Manor—Houston, TX	272	35	7/8/2014	80	833	796	769	—
Avalon Apartments—Pensacola, FL	276	8	12/22/2014	98	970	912	—	—
Apartments at Venue—Valley, AL	618	5	7/27/2015	61	724	715	—	—
Parkway Falls—San Marcos, TX	192	2	9/10/2015	80	998	852	—	—
Cedar Lakes - Lake St. Louis, MO	420	30	9/25/2015	80	788	715	—	—
Factory at GARCO Park—N. Charleston, SC(5)	271	N/A	10/13/2015	65	N/A	N/A	—	—
Woodland Trails—LaGrange, GA	236	7	11/18/2015	100	832	849	—	—
Cinco Ranch— Katy, TX	268	8	1/22/2016	75	1,177	—	—	—
River Place — Macon, GA	240	28	2/1/2016	80	622	—	—	—
Civic Center I—Southaven, MS	392	14	2/29/2016	60	825	—	—	—
Shavano Park— San Antonio, TX	288	2	5/6/2016	65	953	—	—	—
Chatham Court— Dallas, TX	494	31	5/11/2016	50	813	—	—	—
Waters Edge— Columbia, SC	204	20	5/31/2016	80	821	—	—	—
Lenox Park— Atlanta, GA	271	27	8/15/2016	74	1,190	—	—	—
Civic Center II — Southaven, MS	384	10	9/1/2016	60	879	—	—	—
Verandas at Alamo Ranch—San Antonio, TX	288	1	9/19/2016	72	974	—	—	—
Total	9,420							

(1)Reflects the approximate age of the property based on the year original construction was completed.
(2)Gives effect to rent concessions. Monthly rental rate per unit reflects our period of ownership.

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(3) Ashwood Park, Meadowbrook Apartments and Parkside Apartments are owned by one joint venture, Waverly Place Apartments and The Fountains Apartments are owned by one joint venture and Stonecrossing Apartments and Pathways are owned by one joint venture.
(4) A ground up project we developed with a joint venture partner. We sold this property in October 2016 during its lease-up phase.
(5) This development is substantially complete and we anticipate lease up will begin in January 2017.
(6) This property was sold subsequent to September 30, 2016.

Set forth below is selected information regarding the average physical occupancy of the multi-family properties owned by us as of September 30, 2016:

Property Name and Location	Number of Units	Age(1)	Acquisition Date	Average Physical Occupancy in 2016 (%) (2)	Average Physical Occupancy in 2015 (%) (2)	Average Physical Occupancy in 2014 (%) (2)	Average Physical Occupancy in 2013 (%) (2)
The Fountains Apartments—Palm Beach Gardens, FL(3)	542	45	3/22/2012	96.0	96.3	96.6	94.9
Waverly Place Apartments—Melbourne, FL(3)	208	29	3/30/2012	97.9	94.0	95.9	96.1
Silvana Oaks Apartments—N. Charleston, SC	208	6	10/4/2012	93.3	93.6	93.4	93.1
Avondale Station—Decatur, GA	212	62	11/19/2012	94.6	97.1	96.8	96.0
Spring Valley Apartments—Panama City, FL(6)	160	29	1/11/2013	95.4	96.9	95.2	94.7
Stonecrossing Apartments—Houston, TX(3)	240	38	4/19/2013	92.1	93.5	94.3	96.8
Pathways—Houston, TX(3)	144	37	6/7/2013	89.8	92.6	93.7	96.6
Autumn Brook Apartments—Hixon, TN(6)	156	27	6/25/2013	93.2	95.1	95.4	96.4
Ashwood Park — Pasadena, TX(3)	144	32	10/15/2013	95.8	96.5	95.0	97.2
Meadowbrook Apartments—Humble, TX(3)	260	34	10/15/2013	94.4	95.0	94.6	96.0
Parkside Apartments—Humble, TX(3)	160	33	10/15/2013	93.0	95.5	93.9	92.5
Brixworth at Bridge Street—Huntsville, AL	208	31	10/18/2013	96.8	93.7	93.3	86.1
Newbridge Commons—Columbus, OH	264	17	11/21/2013	96.9	95.4	90.5	87.0
Waterside at Castleton—Indianapolis, IN	400	33	1/21/2014	94.1	92.1	90.7	—
	350	1	1/31/2014	62.8	N/A	N/A	—

Southridge—Greenville, SC(4)							
Crossings of Bellevue—Nashville, TN	300	31	4/2/2014	97.8	97.1	97.9	—
Sandtown Vista—Atlanta, GA(6)	350	6	6/26/2014	94.7	95.4	92.8	—
Kendall Manor—Houston, TX	272	35	7/8/2014	93.9	94.4	91.2	—
Avalon Apartments—Pensacola, FL	276	8	12/22/2014	91.9	90.9	—	—
Apartments at Venue—Valley, AL	618	5	7/27/2015	90.3	93.4	—	—
Parkway Falls—San Marcos, TX	192	2	9/10/2015	93.6	95.3	—	—
Cedar Lakes - Lake St. Louis, MO	420	30	9/25/2015	91.9	93.4	—	—
Factory at GARCO Park—N. Charleston, SC(5)	271	N/A	10/13/2015	N/A	N/A	—	—
Woodland Trails—LaGrange, GA	236	7	11/18/2015	94.6	96.2	—	—
Cinco Ranch— Katy, TX	268	8	1/22/2016	90.5	—	—	—
River Place — Macon, GA	240	28	2/1/2016	97.2	—	—	—
Civic Center I—Southaven, MS	392	14	2/29/2016	97.7	—	—	—
Shavano Park— San Antonio, TX	288	2	5/6/2016	83.4	—	—	—
Chatham Court— Dallas, TX	494	31	5/11/2016	93.4	—	—	—
Waters Edge— Columbia, SC	204	20	5/31/2016	94.2	—	—	—
Lenox Park— Atlanta, GA	271	27	8/15/2016	94.0	—	—	—
Civic Center II — Southaven, MS	384	10	9/1/2016	97.4	—	—	—
Verandas at Alamo Ranch—San Antonio, TX	288	1	9/19/2016	85.8	—	—	—
Total	9,420						

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(1) Reflects the approximate age of the property based on the year original construction was completed.
(2) Average physical occupancy per unit reflects our period of ownership.
(3) Ashwood Park, Meadowbrook Apartments and Parkside Apartments are owned by one joint venture, Waverly Place Apartments and The Fountains Apartments are owned by one joint venture and Stonecrossing Apartments and Pathways are owned by one joint venture.
(4) A ground up project we developed with a joint venture partner. We sold this property in October 2016 during its lease-up phase.
(5) This development is substantially complete and we anticipate lease up will begin in January 2017.
(6) This property was sold subsequent to September 30, 2016.

The following table set forth certain information, presented by state, related to our properties as of September 30, 2016 (dollars in thousands):

State	Number of Properties	Number of Units	Estimated 2017 Revenue(1)	Percent of 2017 Estimated Revenue
Texas	11	2,750	$ 29,265	32.9 %
Florida	4	1,186	14,076	15.9 %
Georgia	5	1,309	11,123	12.5 %
Mississippi	2	776	8,166	9.2 %
Alabama	2	826	6,966	7.8 %
South Carolina	4	1,033	5,689	6.4 %
Tennessee	2	456	4,065	4.6 %
Missouri	1	420	3,854	4.3 %
Indiana	1	400	3,152	3.6 %
Ohio	1	264	2,440	2.8 %
Total	33	9,420	$ 88,796	100 %

(1) Reflects our estimate of the rental and other revenues to be generated in 2017 by our multi-family properties located in such state. Excludes the effect of property acquisitions and dispositions that occurred after September 30, 2016.

The following table sets forth the properties we acquired between October 1, 2016 and November 30, 2016 (dollars in thousands):

Location	Purchase Date	No. of Units	Purchase Price	Acquisition mortgage debt	Initial BRT Equity	Ownership Percentage(%)	Property Acquisition Costs
Fredricksburg, VA	11/4/2016	220	$38,490	$ 29,940	$8,720	80 %	$ 643
Columbia, SC	11/10/2016	374	58,300	41,000	5,670	32 %	71
Columbia, SC (1)	11/10/2016	339	5,915	—	8,665	46 %	—
		933	$102,705	$ 70,940	$23,055		$ 714

(1) This is a ground-up development project at which the construction of a 339 unit multi-family complex is expected to be completed in various stages from March 2018 to March 2019.

Our Acquisition Process and Underwriting Criteria

We identify multi-family property acquisition opportunities primarily through relationships developed over time by our officers with our former borrowers, current joint venture partners, real estate investors and brokers. We are interested in acquiring the following types of multi-family properties:

- Class B or better properties with strong and stable cash flows in markets where we believe there exists opportunity for rental growth and with potential for further value creation;
- Class B or better properties that offer significant potential for capital appreciation through repositioning or rehabilitating the asset to drive rental growth;

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- properties available at opportunistic prices providing an opportunity for a significant appreciation in value; and
- development of Class A properties in markets where we believe we can generate significant returns from the operation and if appropriate, sale of the development.

Our current goal is to acquire properties with cap rates ranging from 5% to 6.25% and that will provide stable risk adjusted total returns (i.e., operating income plus capital appreciation). In identifying opportunities that will achieve such goal, we seek acquisitions that will achieve an approximate 7% to 9% annual return on invested cash and an internal rate of return of approximately 9% to 18%. We have also focused, but have not limited ourselves, to acquiring properties located in the Southeast United States and Texas. Subject to the foregoing, we are opportunistic in pursuing multi-family property acquisitions and do not mandate any specific acquisition criteria, though we take the following into account in evaluating an acquisition opportunity: location, size of the target market, property quality, availability and terms and conditions of long term fixed rate mortgage debt, potential for capital appreciation or recurring income, extent and nature of contemplated capital improvements and property age. We generally acquire properties with a joint venture partner with knowledge and experience in owning and operating multi-family properties in the target market as this enhances our understanding of such market and assists us in managing our risk with respect to a particular acquisition.

Approvals of the acquisition of a multi-family property are based on a review of property information as well as other due diligence activities undertaken by us and, as applicable, our venture partner. Those activities include a consideration of economic, demographic and other factors with respect to the target market and sub-market (including the stability of its population and the potential for population growth, the economic and employment base, presence of and barriers to entry of alternative housing stock, market prices for comparable properties, the competitive positioning of the proposed acquisition and the regulatory environment (i.e. applicable rent regulation)), a review of an independent third party property condition report, a Phase I environmental report with respect to the property, a review of recent and projected results of operations for the property prepared by the seller, us or our joint venture partner, an assessment of our joint venture partner's knowledge and expertise with respect to the acquisition and operation of multi-family properties and the relevant market and sub-market, a site visit to the property and the surrounding area, an inspection of a sample of units at the property, the potential for rent increases and the possibility of enhancing the property and the costs thereof. To the extent a property to be acquired requires renovations or improvements, or if we and our joint venture partner believe that improving a property will generate greater rent, funds are generally set aside by us and our joint venture partner at the time of acquisition to provide the capital needed for such renovation and improvements. At September 30, 2016, an aggregate of $7.4 million has been set aside to fund improvements at specific multi-family properties.

A key consideration in our acquisition process is the evaluation of the availability of mortgage debt to finance the acquisition (or the ability to assume the mortgage debt on the property) and the terms and conditions (e.g. interest rate, amortization and maturity) of such debt. Typically, approximately 25% to 35% of the purchase price is paid in cash and the balance is financed with mortgage debt. We believe that the use of leverage of up to 75% allows us the ability to earn a greater return on our investment than we would otherwise earn. Generally, the mortgage debt obtained in connection with an acquisition matures five to ten years thereafter, is interest only for one to three years after the acquisition, and provides for a fixed interest rate and for the amortization of the principal of such debt over 30 years.

Before a property is acquired, the acquisition must be reviewed and approved by our investment committee. Approval requires the assent of not less than four of the seven members of this committee, all of whom are our executive officers. The approval of our board of trustees is required for any single multi-family property acquisition in which our equity investment exceeds $15 million.

We are partners in two multi-family development opportunities with the same joint venture partner or its affiliates. We pursue these opportunities when we believe the potential higher returns justify the additional risks. The factors considered in pursuing these opportunities generally include the factors considered in evaluating a standard acquisition opportunity, and we place additional emphasis on our joint venture partner's ability to execute a development project. Though we may from time-to-time pursue other development activities, we do not anticipate development properties will constitute a significant part of our portfolio.

Property Sales

We monitor our portfolio to identify appropriate disposition candidates. Factors considered in deciding whether to dispose of a property generally include our evaluation of the current market price of such property to projected economics for such property and adverse changes in the factors considered by us in acquiring such property. We also believe it is important for us to maintain strong relationships with our joint venture partners. Accordingly, we also take into account our partners' desires with

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respect to property sales. If our partners deem it in their own economic interest to dispose of a property at an earlier date than we would otherwise dispose of a property, we may accommodate such request.
Set forth below is information regarding properties sold, other than the sale of our interests in the Newark Joint Venture, during 2016 (dollars in thousands):

Property Name and Location	Sale Date	No. of Units	Sales Price	Gain on Sale	Non-controlling partner's share of the gain
New York, NY(1)	10/1/2015	1	$652	$609	—
Grove at Trinity Pointe - Cordova, TN	3/2/2016	464	31,100	6,764	$ 2,195
Mountain Park Estates - Kennesaw, GA	3/15/2016	450	64,000	17,429	10,037
Courtney Station - Pooler, GA	4/6/2016	300	38,500	5,710	1,405
Madison at Schilling Farms - Collierville, TN	6/1/2016	324	34,300	4,586	917
Village Green - Little Rock, AK (2)	6/6/2016	172	2,372	386	—
Sundance - Wichita, KS	9/1/2016	496	30,400	10,718	4,149
New York, NY(1)	9/30/2016	1	725	662	—
		2,208	$202,049	$46,864	$ 18,703

(1) Sale of a cooperative apartment unit included in our other real estate segment.
(2) Sale of a partnership interest.

The following table summarizes information regarding properties sold from October 1, 2016 through November 30, 2016:

Property Name and Location	Sale Date	No. of Units	Sales Price	Estimated Gain on Sale	Non-controlling partner's share of the estimated gain
Southridge - Greenville, SC	10/19/2016	350	$68,000	$ 18,937	$ 9,669
Spring Valley - Panama City, FL(1)	10/26/2016	160	14,720	7,390	3,732
Sandtown Vistas - Atlanta, GA	11/21/2016	350	36,750	8,796	4,046
Autumn Brook - Hixson, TN(1)	11/30/2016	156	10,775	479	120
		1,016	$130,245	$ 35,602	$ 17,567

(1) Property classified as held for sale at September 30, 2016.

Joint Venture Arrangements

The arrangements with our multi-family property joint venture partners are deal specific and vary from transaction to transaction. Generally, these arrangements provide for us and our partner to receive net cash flow available for distribution in the following order of priority (and in certain cases, we are entitled to these distributions on a senior or preferential basis):

- a preferred return of 10% on each party's unreturned capital contributions, until such preferred return has been paid in full,
- the return in full of each party's capital contribution, and
- the remaining net cash flow is distributed based upon satisfaction of performance hurdles which vary by transaction.

Though, as noted above, each joint venture operating agreement contains different terms, such agreements generally provide for a buy-sell procedure under specified circumstances, including (i) after the passage of time (e.g., two years after the acquisition), (ii) if the partners are unable to agree on major decisions, (iii) upon a change in control of our subsidiary owning the interest in the joint venture, or (iv) one or more of the foregoing. Further, these arrangements may also allow us, and in some cases, our joint venture partner, to force the sale of the property after it has been owned by the joint venture for a specified period (e.g., four to five years after the acquisition).

Property Management

The day-to-day management of our multi-family properties is overseen by property management companies operating in the market in which the property is located. Some of these management companies are owned by our joint venture partners or their affiliates. Generally, we can terminate these management companies upon specified notice or for cause, subject to the

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approval of the mortgage lender and, in some cases, our joint venture partner. We believe satisfactory replacements for property managers are available, if required.

Mortgage Debt

The following table sets forth scheduled principal (including amortization) mortgage payments due for all our properties as of September 30, 2016 (amounts in thousands):

YEAR	Principal Payments Due
2017	$ 5,650
2018	6,828
2019	127,067
2020	32,431
2021	46,683
Thereafter	402,723
Total	$ 621,382

As of September 30, 2016, the weighted average annual interest rate of the mortgage debt on our 33 multi-family properties is 3.98% and the weighted average remaining term to maturity of such debt is approximately seven years. The mortgage debt associated with our multi-family properties is generally non-recourse to (i) the joint venture that owns the property, subject to standard carve-outs and (ii) to us and our subsidiary acquiring the equity interest in such joint venture. We, at the parent entity level (i.e., BRT Realty Trust), are the standard carve-out guarantor with respect to the Avalon, Silvana Oaks,Woodland Trails, Stonecrossing, Pathway and Avondale properties. (The term "standard carve-outs" refers to recourse items to an otherwise non-recourse mortgage and are customary to mortgage financing. While carve-outs vary from lender to lender and transaction to transaction, the carve-outs may include, among other things, a voluntary bankruptcy filing, environmental liabilities, the sale, financing or encumbrance of the property in violation of loan documents, damage to property as a result of intentional misconduct or gross negligence, failure to pay valid taxes and other claims which could create a lien on a property and the conversion of security deposits, insurance proceeds or condemnation awards.) At September 30, 2016, the principal amount of mortgage debt outstanding with respect to the properties at which we are the carve-out guarantor is approximately $83.3 million.

Insurance

The multi-family properties are covered by all risk property insurance covering 100% of the replacement cost for each building and business interruption and rental loss insurance (covering up to twelve months of loss). On a case-by-case basis, based on an assessment of the likelihood of the risk, availability of insurance, cost of insurance and in accordance with standard market practice, we obtain earthquake, windstorm, flood, terrorism and boiler and machinery insurance. We carry comprehensive liability insurance and umbrella policies for each of our properties which provide no less than $5 million of coverage per incident. We request certain extension of coverage, valuation clauses, and deductibles in accordance with standard market practice and availability.

Although we may carry insurance for potential losses associated with our multi-family properties, we may still incur losses due to uninsured risks, deductibles, co-payments or losses in excess of applicable insurance coverage and those losses may be material. In addition, certain insurance coverage is part of blanket policies in which a loss on an unrelated property could affect the coverage limits on a joint venture property.

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Changes in our Multi-Family Portfolio

Set forth below is a summary of our multi-family property acquisition activities from October 1, 2012 through November 30, 2016:

Year	Number of Multi-Family Properties Acquired	Number of Units Acquired
2012	5	1,451
2013	9	2,334
2014	13	4,174
2015	4	1,506
2016	11	3,336
2017 (1)	3	933
Total	45	13,734

(1) Includes the purchase of land in Columbia, SC on which we are in the process of developing a 339 unit multi-family complex.

Set forth below is a summary of our multi-family dispositions from October 1, 2015 through November 30, 2016. There were no sales prior to 2015:

Year	Number of Multi-Family Properties Sold	Number of Units Sold
2015	3	1,175
2016	6	2,206
2017	4	1,016
Total	13	4,397

Our Other Real Estate Assets and Activities

Other Real Estate Assets

We also own the following other real estate assets with an aggregate net book value of $30.0 million at September 30, 2016:

- an 8.7 acre vacant parcel of land in South Daytona Beach, Florida,
- 15 cooperative apartments, 14 of which are rent controlled or rent stabilized, in two buildings in upper Manhattan, New York, and
- a subordinated leasehold interest in a portion (approximately 29% of a 99,000 square foot facility) of a shopping center in Yonkers, NY, and
- the NJV Loan Receivable. This loan matures in June 2017 and bears an annual interest rate of 11%. Six percent (6%) is to be paid on a monthly basis and five percent (5%) is deferred and is to be paid on December 31, 2016 and at maturity in June 2017. At September 30, 2016, the amount of deferred interest that has accrued is $2.4 million. The NJV Loan Receivable is secured by various contiguous parcels on Market Street (between University Avenue and Washington Street) in Newark, NJ. The site is approximately 68,000 square feet and has approximately 303,000 square feet of rentable space. See Item 7. "Management Discussion and Analysis of Financial Condition and Results of Operations - Sale of Interests in Newark Joint Venture" and Note 4 to our consolidated financial statements for information regarding the Newark Joint Venture, the sale of our interests therein and the NJV Loan Receivable.

We also have a 50% equity interest in an unconsolidated joint venture that owns 19 cooperative apartment units located in Lawrence, New York - this interest is excluded from the $30.0 million net book value of our other real estate assets.

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Corporate Level Financing Arrangement

As of September 30, 2016, $37.4 million (excluding deferred costs of $402,000) in principal amount of our junior subordinated notes is outstanding. These notes mature in April 2036, are redeemable at any time at our option, contain limited covenants and from August 1, 2012 through April 30, 2016 bore an interest rate of 4.9%. From May 1, 2016 through maturity, these notes bear an interest rate of three month LIBOR plus 200 basis points. At September 30, 2016, the interest rate on these notes is 2.76%.

Competition

We compete to acquire real estate assets and in particular, multi-family properties, with other owners and operators of such properties including other multi-family REITs, pension and investment funds, real estate developers and private real estate investors. Competition to acquire such properties is based on price and ability to secure financing on a timely basis and complete an acquisition. To the extent that a potential joint venture partner introduces us to a multi-family acquisition opportunity, we compete with other sources of equity capital to participate in such joint venture based on the financial returns we are willing to offer such potential partner and the other terms and conditions of the joint venture arrangement. We also compete for tenants at our multi-family properties—such competition depends upon various factors, including alternative housing options available in the applicable sub-market, rent, amenities provided and proximity to employment and quality of life venues.

Many of our competitors possess greater financial and other resources than we possess.

Environmental Regulation

We are subject to regulation at the federal, state and municipal levels and are exposed to potential liability should our properties or actions result in damage to the environment or to other persons or properties. These conditions include the presence or growth of mold, potential leakage of underground storage tanks, breakage or leaks from sewer lines and risks pertaining to waste handling. The potential costs of compliance, property damage restoration and other costs for which we could be liable or which could occur without regard to our fault or knowledge, are unknown and could potentially be material.

In the course of acquiring and owning multi family properties, we or our joint venture partner engage an independent environmental consulting firm to perform a level 1 environmental assessment (and if appropriate, a level 2 assessment) to identify and mitigate these risks as part of the due diligence process. We believe these assessment reports provide a reasonable basis for discovery of potential hazardous conditions prior to acquisition. Should any potential environmental risks or conditions be discovered during our due diligence process, the potential costs of remediation will be assessed carefully and factored into the cost of acquisition, assuming the identified risks and factors are deemed to be manageable and within reason. Some risks or conditions may be identified that are significant enough to cause us to abandon the possibility of acquiring a given property. As of the date of this report, we have no knowledge of any material claims made or pending against us with regard to environmental damage for which we may be found liable, nor are we aware of any potential hazards to the environment related to any of our properties which could reasonably be expected to result in a material loss.

Our Structure

We share facilities, personnel and other resources with several affiliated entities including, among others, Gould Investors L.P., a master limited partnership involved primarily in the ownership and operation of a diversified portfolio of real estate assets, and One Liberty Properties, Inc., an NYSE listed equity REIT. Eight individuals (including Jeffrey A. Gould, Chief Executive Officer and President, Mitchell Gould, Executive Vice President and George Zweier, Chief Financial Officer), devote substantially all of their business time to our activities, while our other personnel (including several officers) share their services on a part-time basis with us and other affiliated entities that share our executive offices. (Including our full and part-time personnel , we estimate that we have the equivalent of 12 full time employees. The allocation of expenses for the shared facilities, personnel and other resources is computed in accordance with a Shared Services Agreement by and among us and the affiliated entities. The allocation is based on the estimated time devoted by executive, administrative and clerical personnel to the affairs of each entity that is a party to this agreement.

In addition, through December 31, 2015, we were party to an Advisory Agreement, as amended, between us and REIT Management Corp., our former advisor. REIT Management is wholly owned by Fredric H. Gould, a member of our

Board of Trustees and the former chairman of such board, and he and certain of our executive officers, including our Chairman of the Board and Chief Executive Officer, received compensation from REIT Management. Pursuant to this agreement, REIT Management furnished advisory and administrative services with respect to our business, including, without limitation, developing and maintaining banking and financing relationships, participating in the analysis and approvals of multi-family property acquisitions and dispositions and providing investment advice. We paid fees pursuant to this agreement of $694,000, $2.4 million and $2.0 million in 2016, 2015 and 2014, respectively. Approximately $214,000 of the 2014 fees, respectively, is included in discontinued operations.

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Effective as of December 31, 2015, the Advisory Agreement terminated. In lieu thereof, we retained related parties to provide the services previously provided pursuant to such agreement (the "Services"). The aggregate fees paid in 2016 and to be paid in 2017 for the provision of these services is $862,500 and $1.2 million, respectively.

Item 1A. Risk Factors.

Set forth below is a discussion of certain risks affecting our business. Any adverse effects arising from the realization of any of the risks discussed, including our financial condition and results of operation, may, and likely will, adversely affect many aspects of our business.

We face numerous risks associated with the real estate industry that could adversely affect our results of operations through decreased revenues or increased costs.

As a real estate company, we are subject to various changes in real estate conditions, and any negative trends in such real estate conditions may adversely affect our results of operations through decreased revenues or increased costs. These conditions include:

- changes in national, regional and local economic conditions, which may be negatively impacted by concerns about inflation, deflation, government deficits, unemployment rates and decreased consumer confidence particularly in markets in which we have a high concentration of properties;
- increases in interest rates, which could adversely affect our ability to obtain financing or to buy or sell properties on favorable terms or at all;
- the inability of residents and tenants to pay rent;
- the existence and quality of the competition, such as the attractiveness of our properties as compared to our competitors' properties based on considerations such as convenience of location, rental rates, amenities and safety record;
- increased operating costs, including increased real property taxes, maintenance, insurance and utility costs (including increased prices for fossil fuels);
- weather conditions that may increase or decrease energy costs and other weather-related expenses;
- oversupply of apartments or single-family housing or a reduction in demand for real estate in the markets in which our properties are located;
- a favorable interest rate environment that may result in a significant number of potential residents of our multi-family properties deciding to purchase homes instead of renting;
- changes in, or increased costs of compliance with, laws and/or governmental regulations, including those governing usage, zoning, the environment and taxes; and
- rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs.

Moreover, other factors may adversely affect our results of operations, including potential liability under environmental and other laws and other unforeseen events, many of which are discussed elsewhere in the following risk factors. Any or all of these factors could materially adversely affect our results of operations through decreased revenues or increased costs.

Our acquisition, development and property improvement activities are limited by available funds.

Our ability to acquire additional multi-family properties, develop new properties and improve the properties in our portfolio is limited by the funds available to us. At September 30, 2016, we had approximately $27.4 million of cash and cash equivalents and approximately $7.4 million designated as restricted cash for multi-family property improvements. Our multi-family acquisition and improvement activities are constrained by funds available to us which will limit growth in our revenues and operating results.

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If interest rates increase or credit markets tighten, it may be more difficult for us to refinance our mortgage debt at favorable rates as it matures or to secure financing for acquisitions.

The following table sets forth scheduled principal (excluding amortization) mortgage payments due at maturity on the mortgages on the properties we own as of September 30, 2016 and the weighted average interest rate thereon (dollars in thousands):

Year	Principal Payments Due at Maturity	Weighted Average Interest Rate
2017	—	—
2018	—	—
2019	$107,475	3.53 %
2020	39,022	3.10 %
2021	38,673	4.15 %
2022 and thereafter	368,248	4.18 %
	$553,418	3.97 %

Increases in interest rates or reduced access to credit markets may make it difficult for us to refinance our mortgage debt as it matures or limit the availability of mortgage debt thereby limiting our acquisition and/or refinancing activities. Even in the event that we are able to secure mortgage debt on, or otherwise refinance our mortgage debt, due to increased costs associated with securing financing and other factors beyond our control, we may be unable to refinance the entire mortgage debt as it matures or be subject to unfavorable terms (such as higher loan fees, interest rates and periodic payments) if we do refinance the mortgage debt. Either of these results could reduce income from those properties and reduce operating cash flow and net income, which may adversely affect the investment goals of our stockholders.

Interest rates have been at historically low levels the past several years. If we are required to refinance mortgage debt that matures over the next several years at higher interest rates than such mortgage debt currently bears, our operating cash flow may be significantly reduced.

We are not currently required to pay any dividends to maintain our status as a REIT.

We are required to distribute annually at least 90% of our taxable income to qualify as a REIT under Federal tax law. Because current tax laws allow us to offset our net operating loss carry-forward ("NOL's") ($69.2 million at December 31, 2015 and an estimated $15 million to $20 million after giving effect to properly sales effected from January 1, 2016 through November 30, 2016), against our taxable income until the NOL's are used or expire, we are not currently required (and have not been required since 2010) to pay a dividend in order to maintain our REIT status. See Note 8 to our consolidated financial statements. The non-payment of cash dividends may negatively impact the price of our common shares.

We may not be able to compete with competitors, many of which have greater financial and other resources than we possess.

We compete with many third parties engaged in the ownership and operation of multi-family properties, including other REITs, specialty finance companies, public and private investors, investment and pension funds and other entities. Many of these competitors have substantially greater financial and other resources than we do. Larger and more established competitors enjoy significant competitive advantages that result from, among other things, enhanced operating efficiencies and more extensive networks providing greater and more favorable access to capital, financing and tax credit allocations and more favorable acquisition opportunities. Larger multi-family property operators have the ability and capacity to acquire a greater number of higher quality properties at more favorable locations and on more favorable terms and conditions.

We may incur impairment charges in 2017.

We evaluate on a quarterly basis our real estate portfolios for indicators of impairment. Impairment charges reflect management's judgment of the probability and severity of the decline in the value of real estate assets we own. These charges and provisions may be required in the future as a result of factors beyond our control, including, among other things, changes in the economic environment and market conditions affecting the value of real property assets. If we are required to take impairment charges, our results of operations will be adversely impacted.

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Our liquidity and operating results may be adversely effected if the NJV Loan Receivable or the interest that has accrued and continues to accrue thereon is not paid when due.

At September 30, 2016, the NJV Loan Receivable was $19.5 million, and the unpaid deferred interest thereon is $2.4 million. The deferred interest is included in other assets on our consolidated balance sheet. Deferred interest of $2.1 million was originally scheduled to be paid in June 2016 and at the borrowers request, we have from time to time extended the payment date thereof; most recently the payment date was extended through December 31, 2016. The failure of the borrower to pay all or some of such principal and interest when due may (i) limit our ability to acquire multi-family properties and (ii) result in our being required to take a loss provision with respect to this asset, which may adversely effect our operating results. See "Management's Discussion and Analysis - Sale of Interest in the Newark Joint Venture" and Note 4 to our consolidated financial statements.

We may need to make significant capital improvements and incur deferred maintenance costs with respect to our multi-family properties and may not have sufficient funds for such purposes.

Our multi-family properties, face competition from newer, and updated properties. At September 30, 2016, the weighted average age (based on the number of units) of our multi-family properties is approximately 21 years. To remain competitive and increase occupancy at these properties and/or make them attractive to potential tenants or purchasers, we may have to make significant capital improvements and/or incur deferred maintenance costs with respect to these properties. At September 30, 2016, $7.4 million, which is reflected as restricted cash on our consolidated balances sheet, has been earmarked for improvements at specific properties and may not be used for other properties. The cost of future improvements and deferred maintenance is unknown and the amounts earmarked for specific properties may be insufficient to effectuate needed improvements. Our results of operations and financial conditions may be adversely affected if we are required to expend significant funds (other than funds earmarked for such purposes) to repair or improve our properties.

Our transactions with affiliated entities involve conflicts of interest.

Entities affiliated with us and with certain of our executive officers provide services to us and on our behalf. These transactions raise the possibility that we may not receive terms as favorable as those that we would receive if the transactions were entered into with unaffiliated entities.

Senior management and other key personnel are critical to our business and our future success may depend on our ability to retain them.

We depend on the services of Jeffrey A. Gould, our president and chief executive officer, and other members of senior management to carry out our business and investment strategies. Although Jeffrey A. Gould devotes substantially all of his business time to our affairs, he devotes a limited amount of his business time to entities affiliated with us. In addition to Jeffrey A. Gould, only two other executive officers, Mitchell Gould, our executive vice president, and George Zweier, a vice president and our chief financial officer, devote all or substantially all of their business time to us. The remainder of our executive management personnel share their services on a part-time basis with entities affiliated with us and located in the same executive offices pursuant to a shared services agreement. We rely on part-time executive officers to provide certain services to us, including legal and accounting services, since we do not employ full-time executive officers to handle these services. If the shared services agreement is terminated, we will have to obtain such services or hire employees to perform them. We may not be able to replace these services or hire such employees in a timely manner or on terms, including cost and level of expertise, that are as favorable as those we receive under the shared services agreement.

In addition, in the future we may need to attract and retain qualified senior management and other key personnel, both on a full-time and part-time basis. The loss of the services of any of our senior management or other key personnel or our inability to recruit and retain qualified personnel in the future, could impair our ability to carry out our business and our investment strategies.

We do not carry key man life insurance on members of our senior management.

We could be negatively impacted by changes in our relationship with Fannie Mae or Freddie Mac, changes in the condition of Fannie Mae or Freddie Mac and by changes in government support for multi-family housing.

Fannie Mae and Freddie Mac have been a major source of financing for multi-family real estate in the United States and we have used loan programs sponsored by these agencies to finance many of our acquisitions of multi-family properties. There has been ongoing discussion by the government with regard to the long term structure and viability of Fannie Mae and Freddie Mac, which could result in adjustments to guidelines for their loan products. Should these agencies have their mandates changed or reduced, lose key personnel, be disbanded or reorganized by the government or otherwise discontinue providing liquidity for the multi-family sector, our ability to obtain financing through loan programs sponsored by the agencies

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could be negatively impacted. In addition, changes in our relationships with Fannie Mae and Freddie Mac, and the lenders that participate in these loan programs, with respect to our existing mortgage financing could impact our ability to obtain comparable financing for new acquisitions or refinancing for our existing multi-family real estate investments. Should our access to financing provided through Fannie Mae and Freddie Mac loan programs be reduced or impaired, it would significantly reduce our access to debt capital and/or increase borrowing costs and could significantly limit our ability to acquire properties on acceptable terms and reduce the values to be realized upon property sales.

Most of our multi-family properties are located in a limited number of markets, which makes us susceptible to adverse developments in such markets.

In addition to general, national and regional conditions, the operating performance of our multi-family residential properties is impacted by the economic conditions, including economic conditions of the specific markets in which our properties are concentrated. At September 30, 2016, approximately 33%, 16%, 13% and 9% of our estimated 2017 revenues from multi-family properties are attributable to properties located in Texas, Florida, Georgia and Mississippi, respectively. Accordingly, adverse economic developments, including economic developments, in such markets could adversely impact the operations of these properties and therefore our operating results and cash flow. The concentration of our properties in a limited number of markets exposes us to risks of adverse developments which are greater than the risks of owning properties with a more geographically diverse portfolio.

Our revenues are significantly influenced by demand for multi-family properties generally, and a decrease in such demand will likely have a greater adverse effect on our revenues than if we owned a more diversified real estate portfolio.

Our current portfolio is focused predominately on multi-family properties, and we expect that going forward we will continue to focus predominately on the acquisition and operation of such properties. As a result, we are subject to risks inherent in investments in a single industry, and a decrease in the demand for multi-family properties would likely have a greater adverse effect on our rental revenues than if we owned a more diversified real estate portfolio.

We are subject to certain limitations associated with selling multi-family properties, which could limit our operational and financial flexibility.

Our ability to sell properties and the terms (including sales price and the timing of the sale) at which such properties may be sold may be limited by various factors and conditions, including factors and conditions over which we have limited or no control. These factors and conditions include:

- the agreement of our joint venture partner to sell a property;

- adverse market conditions, including the limited availability of mortgage debt required by a buyer to acquire a property or increased interest rates;

- the need to expend funds to correct defects or to make improvements before a property can be sold; and

- federal tax laws that may limit our ability to profit on the sale of properties that we have owned for less than two years.

The foregoing factors and conditions may limit our ability to dispose of properties, which may have a material adverse effect on our financial condition and the market value of our securities.

The failure of third party property management companies to properly manage our properties may result in a decrease in occupancy rates, rental rates or both, which could adversely impact our results of operations

We and our joint venture partners rely on third party property management companies to manage our properties. These management companies are responsible for, among other things, leasing and marketing rental units, selecting tenants (including an evaluation of the creditworthiness of tenants), collecting rent, paying operating expenses, and maintaining the property. If these property management companies do not perform their duties properly or we or our joint venture partners do not effectively supervise the activities of these companies, occupancy rates, rental rates or both may decline at such properties. At September 30, 2016, one property manager and its affiliates manage seven properties, a second property manager and its affiliates manage six properties and 13 other property managers manage four or fewer properties. The loss of our managers, and in particular, the property managers that manages seven and six properties respectively, could result in a decrease in occupancy rates, rental rates or both. Further, some of management companies are owned by our joint venture partners or their

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affiliates. The termination of a management company may require the approval of the mortgagee, our joint venture partner or both. If we are unable to terminate an underperforming property manager, on a timely basis, our occupancy rates, rental rates or both, could be adversely impacted.

Increased competition and increased affordability of residential homes could limit our ability to retain our tenants or increase or maintain rents.

Our multi-family properties compete with numerous housing alternatives, including other multi-family and single-family rental homes, as well as owner occupied single and multi-family homes. Our ability to retain tenants and increase or maintain rents or occupancy levels could be adversely affected by the alternative housing in a particular area and, due to declining housing prices, mortgage interest rates and government programs to promote home ownership, the increasing affordability of owner occupied single and multi-family homes.

Development, redevelopment and construction risks could affect our operating results.

We intend to continue to develop and redevelop multi-family properties. These activities may be exposed to the following risks:

- we may abandon opportunities that we have already begun to explore for a number of reasons, including changes in local market conditions or increases in construction or financing costs, and, as a result, we may fail to recover expenses already incurred in exploring those opportunities

- occupancy rates and rents at a development property may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions beyond our control and the development by competitors of competing properties

- we may be unable to obtain, or experience delays in obtaining, necessary zoning, occupancy, or other required governmental or third party permits and authorizations, which could result in increased costs or the delay or abandonment of development opportunities

- we may incur costs that exceed our original estimates due to increased material, labor or other costs

- we may be unable to complete construction and lease-up of a development project on schedule, resulting in increased construction and financing costs and a decrease in expected rental revenues   and

- we may be unable to obtain financing with favorable terms, or at all, for the proposed development of a property, which may cause us to delay or abandon a development opportunity.

Risks involved in conducting real estate activity through joint ventures.

We have in the past and intend in the future to continue to acquire properties through joint ventures with other persons or entities when we believe that circumstances warrant the use of such structure. Joint venture investments involve risks not otherwise present when acquiring real estate directly, including the possibility that:

- our partner might become bankrupt, insolvent or otherwise refuse or be unable to meet their obligations to us or the venture (including their obligation to make capital contributions or property distributions when due);
- we may incur liabilities as a result of action taken by our partner;
- our partner may not perform its property oversight responsibilities;
- our partner may have economic or business interests or goals which are or become inconsistent with our business interests or goals, including inconsistent goals relating to the sale or refinancing of properties held in the joint venture or the timing of the termination or liquidation of the joint venture;
- our partner may be in a position to take action or withhold consent contrary to our instructions or requests, including actions that may make it more difficult to maintain our qualification as a REIT;
- our partner might engage in unlawful or fraudulent conduct with respect to our jointly owned properties or other properties in which they have an ownership interest;

- our partner may trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partner's interest, at a time when we otherwise would not have initiated such a transaction;

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- disputes between us and our partners may result in litigation or arbitration that would increase our expenses and divert management's attention from operating our business;
- disagreements with our partners with respect to property management (including with respect to whether a property should be sold, refinanced, or improved) could result in an impasse resulting in the inability to operate the property effectively; and
- our partners may have other competing real estate interests in the markets in which our properties are located that could infuence the partners to take actions favoring their properties to the detriment of the jointly owned properties.

Seven of our multi-family property joint ventures are owned with one joint venture partner or its affiliates, four of our multi-family property joint ventures are owned with a second joint venture partner or its affiliates and four of our multi-family property joint ventures are owned with a third partner. We may be adversely effected if we are unable to maintain a satisfactory working relationship with either of these joint venture partners or if either partner becomes financially distressed.

Compliance with REIT requirements may hinder our ability to maximize profits.

We must continually satisfy tests concerning, among other things, our sources of income, the amounts we distribute to our shareholders and the ownership of securities, to qualify as a REIT for Federal income tax purposes. We may also be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution. Accordingly, compliance with REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

To qualify as a REIT, we must also ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of our investment in securities cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of such issuer. In addition, no more than 5% of the value of our assets can consist of the securities of any one issuer, other than a qualified REIT security. If we fail to comply with these requirements, we must dispose of the portion of our assets in excess of such amounts within 30 days after the end of the calendar quarter in order to avoid losing our REIT status and suffering adverse tax consequences. This requirement could cause us to dispose of assets for consideration of less than their true value and could lead to a material adverse impact on our results of operations and financial condition.

Because real estate investments are illiquid, we may not be able to dispose of properties needed.

Real estate investments generally cannot be sold quickly. We may not be able to reconfigure our portfolio promptly in response to economic or other conditions. Further, even if we are able to sell properties, we may be unable to reinvest the proceeds of such sales in opportunities that are as favorable as the properties sold. Our inability to reconfigure our portfolio to profitably reinvest the proceeds of property sales promptly could adversely affect our financial condition and results of operations.

We could be adversely affected if we or any of our subsidiaries are required to register as an investment company under the Investment Company Act of 1940 as amended (the “1940 Act”).

We conduct our operations so that neither we, nor any of our subsidiaries is required to register as investment companies under the 1940 Act. If we or any of our subsidiaries is required to register as an investment company but fail to do so, the unregistered entity would be prohibited from engaging in certain business, and criminal and civil actions could be brought against such entity. In addition, the contracts of such entity would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of the entity and liquidate its business.

We depend on our subsidiaries for cash flow and will be adversely impacted if these subsidiaries are prohibited from distributing cash to us.

We conduct, and intend to conduct, all our business operations through our subsidiaries. Accordingly, our only source of cash to fund our operations and pay our obligations is distributions from our subsidiaries of their net earnings and cash flows. We cannot assure you that our subsidiaries will be able to, or be permitted to, make distributions to us that will enable us to fund our operations. Each of our subsidiaries is or will be a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from such entities. In addition, because we operate through our subsidiaries, your claims as shareholders will be structurally subordinated to all existing and future liabilities and obligations of our subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our subsidiaries will be able to satisfy your claims as shareholders only after all our and our subsidiaries' liabilities and obligations have been paid in full.

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Liabilities relating to environmental matters may impact the value of our properties.
We may be subject to environmental liabilities arising from the ownership of properties. Under various federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances.
The presence of hazardous substances on our properties may adversely affect our ability to finance or sell the property and we may incur substantial remediation costs. The discovery of material environmental liabilities attached to such properties could have a material adverse effect on our results of operations and financial condition.
Our revenues and the value of our portfolio may be negatively affected by casualty events occurring on our properties.
The joint ventures in which we are an equity participant carry all risk property insurance covering the property and any improvements to the property owned by the joint venture for the cost of replacement in the event of a casualty. Further, we carry insurance for such purpose on properties owned by us. However, the amount of insurance coverage maintained for any property may be insufficient to pay the full replacement cost following a casualty event. In addition, the rent loss coverage under a policy may not extend for the full period of time that a tenant or tenants may be entitled to a rent abatement that is a result of, or that may be required to complete restoration following, a casualty event. In addition, there are certain types of losses, such as those arising from earthquakes, floods, hurricanes and terrorist attacks, that may be uninsurable or that may not be economically feasible to insure. Changes in zoning, building codes and ordinances, environmental considerations and other factors may make it impossible for a joint venture or us, as the case may be, to use insurance proceeds to replace damaged or destroyed improvements at a property. If any of these or similar events occur, the amount of coverage may not be sufficient to replace a damaged or destroyed property. As a result, our returns and the value of our investment may be reduced.
Compliance or failure to comply with the Americans with Disabilities Act of 1990 or other safety regulations and requirements could result in substantial costs.

The Americans with Disabilities Act generally requires that public buildings, including our properties, be made accessible to disabled persons. Non-compliance could result in the imposition of fines by the federal government or the award of damages to private litigants. From time-to-time claims may be asserted against us with respect to some of our properties under the Americans with Disabilities Act. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Breaches of information technology systems could materially harm our business and reputation.

We, our joint venture partners and the property managers managing our properties collect and retain on information technology systems certain financial, personal and other sensitive information provided by third parties, including tenants, vendors and employees. Such persons also rely on information technology systems for the collection and distribution of funds. There can be no assurance that we, our joint venture partners or property managers will be able to prevent unauthorized access to sensitive information or the unauthorized distribution of funds. Any loss of this information or unauthorized distribution of funds as a result of a breach of information technology systems may result in loss of funds to which we are entitled, legal liability and costs (including damages and penalties), as well as damage to our reputation, that could materially and adversely affect our business and financial performance.

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Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our executive office is located at 60 Cutter Mill Road, Suite 303, Great Neck, New York. We believe that such facilities are satisfactory for our current and projected needs.

The information set forth under "Item 1—Business" is incorporated herein by this reference to the extent responsive to the information called for by this item.

Item 3. Legal Proceedings.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common shares of beneficial interest, or common shares, are listed on the New York Stock Exchange, or the NYSE, under the symbol "BRT." The following table shows for the periods indicated, the high and low sales prices of the common shares as reported in the consolidated transaction reporting system.

	Fiscal 2016		Fiscal 2015	
Fiscal Quarters	High	Low	High	Low
First Quarter	$7.48	$6.02	$7.50	$6.91
Second Quarter	7.15	5.41	7.35	6.71
Third Quarter	7.28	6.93	7.30	6.74
Fourth Quarter	8.25	7.01	7.19	6.76

On November 30, 2016, the high and low sales prices of our common shares was $7.99 and $7.88, respectively.

As of November 30, 2016, there were approximately 902 holders of record of our common shares.

We have not paid any cash dividends since 2010. Our tax loss carry forward at December 31, 2015, was $69.2 million and we estimate that after giving effect to our operations and to our share of the gains from properties sold from January 1, 2016 through November 30, 2016, that the tax loss carryforward at November 30, 2016 ranges from $15 million to $20 million; therefore, we are not currently required by Federal tax code provisions relating to REITs to pay cash dividends to maintain our status as a REIT.

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Stock Performance Graph

This graph compares the performance of our shares with the Standard & Poor's 500 Stock Index, an index consisting of publicly traded mortgage REITs (i.e., FTSE NAREIT Mortgage REITs) and an index consisting of apartment REITs (i.e., FTSE NAREIT Equity Apartments). The graph assumes $100 invested on September 30, 2011 and assumes the reinvestment of dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

	9/11	9/12	9/13	9/14	9/15	9/16
BRT Realty Trust	$100.00	$104.50	$115.27	$120.58	$113.99	$128.62
S&P 500	100.00	130.20	155.39	186.05	184.91	213.44
FTSE NAREIT Mortgage REITs	100.00	133.19	122.01	137.70	132.67	157.72
FTSE NAREIT Equity Apartments	100.00	118.87	116.77	136.37	170.20	186.37