REFINITIV

DELTA REPORT

10-Q

WSR - WHITESTONE REIT

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1690
CHANGES	381
DELETIONS	755
ADDITIONS	554

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023 March 31, 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 001-34855

WHITESTONE REIT

(Exact Name of Registrant as Specified in Its Charter)

Maryland	76-0594970
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2600 South Gessner, Suite 500 Houston, Texas	77063
(Address of Principal Executive Offices)	(Zip Code)

(713) 827-9595
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares of Beneficial Interest, par value $0.001 per share	WSR	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 ☐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 ☐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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Small reporting company	☐
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

As of October 30, 2023 April 26, 2024, there were were49,959,63849,585,511 common shares of beneficial interest, $0.001 par value per share, outstanding.

PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Whitestone REIT and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023

	(unaudited)		(unaudited)	
ASSETS	**ASSETS**		**ASSETS**	
Real estate assets, at cost				
Property	$ 1,227,532	$ 1,199,041	$ 1,230,936	$ 1,221,466
Accumulated depreciation	(225,636)	(208,286)	(232,867)	(229,767)
Total real estate assets	1,001,896	990,755	998,069	991,699
Investment in real estate partnership	33,200	34,826	—	31,671
Cash and cash equivalents	2,976	6,166	6,215	4,572
Restricted cash	97	189	—	68
Escrows and acquisition deposits	10,545	12,827		
Escrows and deposits			17,272	24,148
Accrued rents and accounts receivable, net of allowance for doubtful accounts	28,983	25,570	31,055	30,592
Receivable from partnership redemption			31,643	—
Receivable due from related party	1,505	1,377	1,522	1,513
Unamortized lease commissions, legal fees and loan costs	12,741	12,697	14,200	13,783
Prepaid expenses and other assets(1)	15,156	7,838	11,302	4,765
Finance lease right-of-use assets	10,450	10,522	10,406	10,428
Total assets	$ 1,117,549	$ 1,102,767	$ 1,121,684	$ 1,113,239
LIABILITIES AND EQUITY	**LIABILITIES AND EQUITY**		**LIABILITIES AND EQUITY**	
Liabilities:				
Notes payable	$ 632,750	$ 625,427	$ 644,981	$ 640,172
Accounts payable and accrued expenses(2)	35,148	36,154	32,133	36,513
Payable due to related party	1,577	1,561	1,577	1,577
Tenants' security deposits	8,445	8,428	8,799	8,614
Dividends and distributions payable	6,022	6,008	6,215	6,025
Finance lease liabilities	725	735	716	721
Total liabilities	684,667	678,313	694,421	693,622
Commitments and contingencies:	—	—	—	—
Equity:				
Preferred shares, $0.001 par value per share; 50,000,000 shares authorized; none issued and outstanding as of September 30, 2023 and December 31, 2022	—	—		
Common shares, $0.001 par value per share; 400,000,000 shares authorized; 49,584,705 and 49,422,716 issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	50	49		
Preferred shares, $0.001 par value per share; 50,000,000 shares authorized; none issued and outstanding as of March 31, 2024 and December 31, 2023			—	—
Common shares, $0.001 par value per share; 400,000,000 shares authorized; 49,958,896 and 49,610,831 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			50	50
Additional paid-in capital	626,815	624,785	627,876	628,079
Accumulated deficit	(212,551)	(212,366)	(213,798)	(216,963)
Accumulated other comprehensive income	12,491	5,980	7,517	2,576
Total Whitestone REIT shareholders' equity	426,805	418,448	421,645	413,742
Noncontrolling interest in subsidiary	6,077	6,006	5,618	5,875
Total equity	432,882	424,454	427,263	419,617
Total liabilities and equity	$ 1,117,549	$ 1,102,767	$ 1,121,684	$ 1,113,239

See accompanying notes to Consolidated Financial Statements.

Whitestone REIT and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(unaudited)		(unaudited)	
(1) Operating lease right of use assets (net)	$ 129	$ 124	$ 108	$ 109
(2) Operating lease liabilities	$ 132	$ 129	$ 112	$ 112

See accompanying notes to Consolidated Financial Statements.

Whitestone REIT and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenues						
Rental(1)	$ 36,667	$ 35,029	$ 108,405	$ 103,500	$ 36,741	$ 35,497
Management, transaction, and other fees	467	354	1,040	1,003	423	354
Total revenues	37,134	35,383	109,445	104,503	37,164	35,851
Operating expenses						
Depreciation and amortization	8,332	7,889	24,538	23,661	8,800	7,846
Operating and maintenance	6,862	7,317	19,847	19,253	6,349	6,086
Real estate taxes	4,693	4,513	14,168	13,867	4,238	4,708
General and administrative	5,392	4,832	15,651	13,063	6,180	5,084
Total operating expenses	25,279	24,551	74,204	69,844	25,567	23,724
Other expenses (income)						
Interest expense	8,400	6,816	24,563	19,111	8,519	7,903
(Gain) loss on sale of properties	(5)	—	(9,626)	7		
Loss on disposal of assets, net	480	7	500	5		
Gain on sale of properties					(6,525)	—
Loss on disposal of assets					—	6
Interest, dividend and other investment income	(11)	(13)	(49)	(43)	(8)	(20)
Total other expenses	8,864	6,810	15,388	19,080	1,986	7,889
Income before equity investment in real estate partnership and income tax	2,991	4,022	19,853	15,579	9,611	4,238
Equity (deficit) in earnings of real estate partnership	(375)	65	(1,627)	304		
Deficit in earnings of real estate partnership					(28)	(218)
Provision for income tax	(95)	(112)	(339)	(313)	(119)	(119)
Net income	2,521	3,975	17,887	15,570	9,464	3,901
Less: Net income attributable to noncontrolling interests	35	60	248	239	124	54

Net income attributable to Whitestone REIT	$ 2,486	$ 3,915	$ 17,639	$ 15,331	$ 9,340	$ 3,847

See accompanying notes to Consolidated Financial Statements.

Whitestone REIT and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Basic Earnings Per Share:						
Net income attributable to common shareholders, excluding amounts attributable to unvested restricted shares	$ 0.05	$ 0.08	$ 0.36	$ 0.31	$ 0.19	$ 0.08
Diluted Earnings Per Share:						
Net income attributable to common shareholders, excluding amounts attributable to unvested restricted shares	$ 0.05	$ 0.08	$ 0.35	$ 0.31	$ 0.18	$ 0.08
Weighted average number of common shares outstanding:						
Basic	49,534	49,274	49,472	49,211	49,940	49,424
Diluted	50,637	50,129	50,399	49,916	51,112	50,160
Consolidated Statements of Comprehensive Income						
Consolidated Statements of Comprehensive Income (Loss)						
Net income	$ 2,521	$ 3,975	$ 17,887	$ 15,570	$ 9,464	$ 3,901
Other comprehensive income						
Other comprehensive income (Loss)						
Unrealized gain on cash flow hedging activities	4,094	5,962	6,602	14,623		
Unrealized gain (loss) on cash flow hedging activities					5,007	(4,587)
Comprehensive income	6,615	9,937	24,489	30,193	14,471	(686)
Less: Net income attributable to noncontrolling interests	35	60	248	239	124	54
Less: Comprehensive income attributable to noncontrolling interests	56	90	91	223		
Less: Comprehensive income (loss) attributable to noncontrolling interests					66	(64)
Comprehensive income attributable to Whitestone REIT	$ 6,524	$ 9,787	$ 24,150	$ 29,731		
Comprehensive income (loss) attributable to Whitestone REIT					$ 14,281	$ (676)

See accompanying notes to Consolidated Financial Statements.

Whitestone REIT and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
(1) Rental						
Rental revenues	$ 26,521	$ 25,244	$ 78,780	$ 75,023	$ 26,864	$ 25,740
Recoveries	10,535	10,152	30,571	29,092	10,477	10,081
Bad debt	(389)	(367)	(946)	(615)	(600)	(324)
Total rental	$ 36,667	$ 35,029	$ 108,405	$ 103,500	$ 36,741	$ 35,497

See accompanying notes to Consolidated Financial Statements.

Whitestone REIT and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(in thousands)

	Common Shares		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Shareholders'	Noncontrolling Interests		Total	Common Shares		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Shareholders
	Shares	Amount	Capital	Deficit	Gain (Loss)	Equity	Units	Dollars	Equity	Shares	Amount	Capital	Deficit	Income (Loss)	Equity
Balance, December 31, 2022	49,423	$ 49	$ 624,785	$ (212,366)	$ 5,980	$ 418,448	695	$ 6,006	$ 424,454						
Issuance of shares under dividend reinvestment plan	2	—	17	—	—	17	—	—	17						
Share-based compensation	—	—	755	—	—	755	—	—	755						
Distributions - $0.1200 per common share / OP unit	—	—	—	(5,931)	—	(5,931)	—	(83)	(6,014)						
Unrealized loss on change in value of cash flow hedge	—	—	—	—	(4,523)	(4,523)	—	(64)	(4,587)						
Net income	—	—	—	3,847	—	3,847	—	54	3,901						
Balance, March 31, 2023	49,425	$ 49	$ 625,557	$ (214,450)	$ 1,457	$ 412,613	695	$ 5,913	$ 418,526						
Balance, December 31, 2023										49,611	$ 50	$ 628,079	$ (216,963)	$ 2,576	$ 413,74
Exchange of noncontrolling interest OP units for common shares	1	1	10	—	—	11	(1)	(11)	—	44	—	355	—	—	35

Issuance of shares under dividend reinvestment plan	2	—	19	—	—	19	—	—	19	2	—	23	—	—	2
Repurchase of common shares (1)	(30)	—	(289)	—	—	(289)	—	—	(289)	(118)	—	(1,442)	—	—	(1,44
Share-based compensation	122	—	725	—	—	725	—	—	725	420	—	861	—	—	86
Distributions - $0.1200 per common share / OP unit	—	—	—	(5,943)	—	(5,943)	—	(86)	(6,029)	—	—	—	(6,175)	—	(6,17
Unrealized gain on change in value of cash flow hedge	—	—	—	—	6,996	6,996	—	99	7,095						
Unrealized loss on change in value of cash flow hedge										—	—	—	—	4,941	4,94
Net income	—	—	—	11,306	—	11,306	—	159	11,465	—	—	—	9,340	—	9,34
Balance, June 30, 2023	49,520	$ 50	$ 626,022	$ (209,087)	$ 8,453	$ 425,438	694	$ 6,074	$ 431,512						
Exchange of noncontrolling interest OP units for common shares	1	—	5	—	—	5	(1)	(5)	—						
Issuance of shares under dividend reinvestment plan	2	—	19	—	—	19	—	—	19						
Repurchase of common shares (1)	(23)	—	(236)	—	—	(236)	—	—	(236)						
Share-based compensation	85	—	1,005	—	—	1,005	—	—	1,005						
Distributions - $0.1200 per common share / OP unit	—	—	—	(5,950)	—	(5,950)	—	(83)	(6,033)						
Unrealized gain on change in value of cash flow hedge	—	—	—	—	4,038	4,038	—	56	4,094						
Net income	—	—	—	2,486	—	2,486	—	35	2,521						
Balance, September 30, 2023	49,585	$ 50	$ 626,815	$ (212,551)	$ 12,491	$ 426,805	693	$ 6,077	$ 432,882						
Balance, March 31, 2024										49,959	$ 50	$ 627,876	$ (213,798)	$ 7,517	$ 421,64

See accompanying notes to Consolidated Financial Statements

Whitestone REIT and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(in thousands)

	Common Shares		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Shareholders'	Noncontrolling Interests		Total
	Shares	Amount	Capital	Deficit	Gain (Loss)	Equity	Units	Dollars	Equity
Balance, December 31, 2021	49,144	$ 48	$ 623,462	$ (223,973)	$ (6,754)	$ 392,783	771	$ 6,255	$ 399,038
Exchange of noncontrolling interest OP units for common shares	1	—	—	—	—	—	(1)	—	—
Issuance of shares under dividend reinvestment plan	1	—	15	—	—	15	—	—	15
Share-based compensation	—	—	(1,413)	—	—	(1,413)	—	—	(1,413)
Distributions - $0.1075 per common share / OP unit	—	—	—	(5,897)	—	(5,897)	—	(92)	(5,989)
Unrealized gain on change in value of cash flow hedge	—	—	—	—	5,894	5,894	—	92	5,986
Net income	—	—	—	7,078	—	7,078	—	111	7,189
Balance, March 31, 2022	49,146	$ 48	$ 622,064	$ (222,792)	$ (860)	$ 398,460	770	$ 6,366	$ 404,826
Exchange of noncontrolling interest OP units for common shares	—	1	7	—	—	8	—	(8)	—
Issuance of shares under dividend reinvestment plan	2	—	17	—	—	17	—	—	17
Repurchase of common shares (1)	(26)	—	(278)	—	—	(278)	—	—	(278)
Share-based compensation	119	—	783	—	—	783	—	—	783
Distributions - $0.1200 per common share / OP unit	—	—	—	(5,909)	—	(5,909)	—	(94)	(6,003)
Unrealized gain on change in value of cash flow hedge	—	—	—	—	2,634	2,634	—	41	2,675
Net income	—	—	—	4,338	—	4,338	—	68	4,406
Balance, June 30, 2022	49,241	$ 49	$ 622,593	$ (224,363)	$ 1,774	$ 400,053	770	$ 6,373	$ 406,426
Exchange of noncontrolling interest OP units for common shares	75	—	608	—	—	608	(75)	(608)	—
Issuance of shares under dividend reinvestment plan	2	—	17	—	—	17	—	—	17
Repurchase of common shares (1)	(21)	—	(249)	—	—	(249)	—	—	(249)
Share-based compensation	86	—	869	—	—	869	—	—	869
Distributions - $0.1200 per common share / OP unit	—	—	—	(5,926)	—	(5,926)	—	(83)	(6,009)
Unrealized gain on change in value of cash flow hedge	—	—	—	—	5,872	5,872	—	90	5,962
Net income	—	—	—	3,915	—	3,915	—	60	3,975
Balance, September 30, 2022	49,383	$ 49	$ 623,838	$ (226,374)	$ 7,646	$ 405,159	695	$ 5,832	$ 410,991

	Common Shares		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Shareholders'	Noncontrolling Interests		Total

	Shares	Amount	Capital	Deficit	Income (Loss)	Equity	Units	Dollars	Equity
Balance, December 31, 2022	49,423	$ 49	$ 624,785	$ (212,366)	$ 5,980	$ 418,448	695	$ 6,006	$ 424,454
Issuance of shares under dividend reinvestment plan	2	—	17	—	—	17	—	—	17
Share-based compensation	—	—	755	—	—	755	—	—	755
Distributions - $0.1200 per common share / OP unit	—	—	—	(5,931)	—	(5,931)	—	(83)	(6,014)
Unrealized loss on change in value of cash flow hedge	—	—	—	—	(4,523)	(4,523)	—	(64)	(4,587)
Net income	—	—	—	3,847	—	3,847	—	54	3,901
Balance, March 31, 2023	49,425	$ 49	$ 625,557	$ (214,450)	$ 1,457	$ 412,613	695	$ 5,913	$ 418,526

(1) The Company acquired common shares held by employees who tendered owned common shares to satisfy the tax withholding on the lapse of certain restrictions on restricted common shares.

See accompanying notes to Consolidated Financial Statements.

Whitestone REIT and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Cash flows from operating activities:				
Net income	$ 17,887	$ 15,570	$ 9,464	$ 3,901
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	24,538	23,661	8,800	7,846
Amortization of deferred loan costs	820	824	265	277
(Gain) loss on sale of properties	(9,626)	7		
Gain on sale of properties			(6,525)	—
Loss on disposal of assets	500	5	—	6
Bad debt	946	615	600	324
Share-based compensation	2,485	239	861	755
(Equity) deficit in earnings of real estate partnership	1,627	(304)		
Deficit in earnings of real estate partnership			28	218
Amortization of right-of-use assets - finance leases	72	—	22	29
Changes in operating assets and liabilities:				
Escrows and acquisition deposits	2,282	(1,006)		
Escrows and deposits			6,876	2,796
Accrued rents and accounts receivable	(4,359)	(3,403)	(1,063)	(1,646)
Receivable due from related party	(128)	(486)	(9)	(26)
Unamortized lease commissions, legal fees and loan costs	(2,644)	(1,575)	(817)	(521)
Prepaid expenses and other assets	2,432	(6,266)	997	(1,117)
Accounts payable and accrued expenses	(1,011)	4,642	(8,160)	(7,843)
Payable due to related party	16	563	—	1
Tenants' security deposits	17	373	185	(85)
Net cash provided by operating activities	35,854	33,459	11,524	4,915
Cash flows from investing activities:				

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Acquisitions of real estate	(25,474)	—	(27,204)	—
Additions to real estate	(12,748)	(10,118)	(3,041)	(3,529)
Proceeds from sales of properties	13,447	—	25,661	—
Net cash used in investing activities	(24,775)	(10,118)	(4,584)	(3,529)
Cash flows from financing activities:				
Distributions paid to common shareholders	(17,754)	(17,049)	(5,969)	(5,913)
Distributions paid to OP unit holders	(249)	(263)	(80)	(83)
Net proceeds from (payments of) credit facility	34,000	(5,000)		
Net proceeds from credit facility			23,000	9,500
Repayments of notes payable	(29,823)	(2,705)	(20,869)	(7,571)
Payments of loan origination costs	—	(4,144)		
Repurchase of common shares	(525)	(527)	(1,442)	—
Payment of finance lease liability	(10)	—	(5)	(2)
Net cash used in financing activities	(14,361)	(29,688)	(5,365)	(4,069)
Net decrease in cash, cash equivalents and restricted cash	(3,282)	(6,347)		
Net increase (decrease) in cash, cash equivalents and restricted cash			1,575	(2,683)
Cash, cash equivalents and restricted cash at beginning of period	6,355	15,914	4,640	6,355
Cash, cash equivalents and restricted cash at end of period (1)	$ 3,073	$ 9,567	$ 6,215	$ 3,672

(1) For a reconciliation of cash, cash equivalents and restricted cash, see supplemental disclosures below.

See accompanying notes to Consolidated Financial Statements.

Whitestone REIT and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Supplemental disclosure of cash flow information:				
Cash paid for interest	$ 23,223	$ 18,980		
Cash paid for taxes	$ 435	$ 366		
Cash paid for interest, net of amounts capitalized			$ 8,160	$ 7,610
Non cash investing and financing activities:				
Disposal of fully depreciated real estate	$ 864	$ 80	$ 29	$ 864
Financed insurance premiums	$ 3,002	$ 1,846	$ 2,638	$ 3,002
Value of shares issued under dividend reinvestment plan	$ 55	$ 49	$ 23	$ 17
Value of common shares exchanged for OP units	$ 16	$ 616	$ 354	$ —
Change in fair value of cash flow hedge	$ 6,602	$ 14,623	$ 5,007	$ (4,587)
Accrued capital expenditures			$ 1,962	$ —
Receivable from partnership redemption			$ 31,643	$ —

	September 30,		March 31,	
	2023	2022	2024	2023
Cash, cash equivalents and restricted cash				
Cash and cash equivalents	$ 2,976	$ 9,504	$ 6,215	$ 3,479
Restricted cash	97	63	—	193
Total cash, cash equivalents and restricted cash	$ 3,073	$ 9,567	$ 6,215	$ 3,672

See accompanying notes to Consolidated Financial Statements.

WHITESTONE REIT AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023 March 31, 2024
(Unaudited)

The use of the words "we," "us," "our," "Company" or "Whitestone" refers to Whitestone REIT and our consolidated subsidiaries, except where the context otherwise requires.

1. INTERIM FINANCIAL STATEMENTS

The consolidated financial statements included in this report are unaudited; however, amounts presented in the consolidated balance sheet as of December 31, 2022 2023 are derived from our audited consolidated financial statements as of that date. The unaudited consolidated financial statements as of and for the period ended September 30, 2023 March 31, 2024 have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information on a basis consistent with the annual audited consolidated financial statements and with the instructions to Form 10-Q.

The consolidated financial statements presented herein reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position of Whitestone and our subsidiaries as of September 30, 2023 March 31, 2024 and December 31, 2022 2023, and the results of operations for the three and ninemonth periods ended September 30, 2023 March 31, 2024 and 2022 2023, the consolidated statements of changes in equity for the three and ninemonths ended September 30, 2023 March 31, 2024 and 2022 2023 and cash flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023. All of these adjustments are of a normal recurring nature. The results of operations for the interim periods are not necessarily indicative of the results expected for a full year. The statements should be read in conjunction with the audited consolidated financial statements and the notes thereto which are included in our Annual Report on Form 10-K for the year ended December 31, 2022 2023.

Business. Whitestone was formed as a real estate investment trust ("REIT") pursuant to the Texas Real Estate Investment Trust Act on August 20, 1998. In July 2004, we changed our state of organization from Texas to Maryland pursuant to a merger where we merged directly with and into a Maryland REIT formed for the sole purpose of the reorganization and the conversion of each of the outstanding common shares of beneficial interest of the Texas entity into 1.42857 common shares of beneficial interest of the Maryland entity. We serve as the general partner of Whitestone REIT Operating Partnership, L.P. (the "Operating Partnership"), which was formed on December 31, 1998 as a Delaware limited partnership. We currently conduct substantially all of our operations and activities through the Operating Partnership. As the general partner of the Operating Partnership, we have the exclusive power to manage and conduct the business of the Operating Partnership, subject to certain customary exceptions. As of September 30, 2023 March 31, 2024 and December 31, 2022 2023, Whitestone wholly owned 56 55 and 57 55 commercial properties, respectively, in and around Austin, Chicago, Dallas-Fort Worth, Houston, Phoenix and San Antonio.

As of September 30, 2023 March 31, 2024, these properties consist of:

Consolidated Operating Portfolio

- 51 50 wholly owned properties that meet our Community Centered Properties® strategy; and

Redevelopment, New Acquisitions Portfolio

- five parcels of land held for future development.

Acquired properties are categorized in the new acquisitions portfolio until the earlier of 90% occupancy or 18 months of ownership.

As of September 30, 2023 March 31, 2024, we, through our investment ownership in Pillarstone Capital REIT Operating Partnership LP ("Pillarstone" or "Pillarstone OP"), ownedno longer represents a majority interest interest. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in eight properties that Pillarstone OP. As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as required by the partnership agreement. We intend to pursue collection of amounts due from Pillarstone OP through all means necessary and while we do not meet our Community Centered Property® strategy containing approximately 0.9 million square feet of gross leasable area (the "Pillarstone Properties"). We own 81.4% know the ultimate amount to be collected, we believe the amount will be in excess of the total outstanding current carrying value of our receivable, formerly our equity investment in Pillarstone OP. Please refer to Note 2in this Quarterly Report on form 10-Q for more information regarding the accounting treatment of the redemption of our OP units of in Pillarstone OP, which we account for using the equity method. OP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation. We are the sole general partner of the Operating Partnership and possess full legal control and authority over the operations of the Operating Partnership. As of September 30, 2023 March 31, 2024 and December 31, 2022 2023, we owned a majority of the partnership interests in the Operating Partnership. Consequently, the accompanying consolidated financial statements include the accounts of the Operating Partnership.

Noncontrolling interest in the accompanying consolidated financial statements represents the share of equity and earnings of the Operating Partnership allocable to holders of partnership interests other than us. Net income or loss is allocated to noncontrolling interests based on the weighted-average percentage ownership of the Operating Partnership during the period. Issuance of additional common shares of beneficial interest in Whitestone (the “common shares”) and units of limited partnership interest in the Operating Partnership that are convertible into cash or, at our option, common shares on a one-for-one basis (the “OP units”) changes the percentage of ownership interests of both the noncontrolling interests and Whitestone.

Estimates regarding Pillarstone OP’s financial condition and results of operations and guarantee. We rely on the reports furnished by our third-party partners for financial information regarding the Company’s investment in Pillarstone OP. As of March 31, 2024 and December 31, 2023, Pillarstone OP’s financial statements have not been made accessible to us. Consequently, we have estimated the financial status and operational outcomes of Pillarstone OP based on the information accessible to us at the time of this report.

The Company has a limited guarantee on Pillarstone OP’s loan for its Uptown Tower property located in Dallas, Texas. The guarantee is a so-called “bad boy” carve-out guarantee, which is generally only applicable if and when the borrower engages in acts such as fraud, prohibited transfers, breaches of material representations, environmental matters, and bankruptcy. The debt matured on October 4, 2023, and was in default, as Pillarstone OP failed to refinance the loan.

On December 1, 2023, the Company reached an agreement with the Lender that would avoid foreclosure and secure the release of the lien and discharge of the guarantee, and the Company negotiated and satisfied a payoff as of December 4, 2023, in the amount of $13,632,764 (the “DPO Amount”). We paid the DPO amount and will be entitled to assert a subrogation claim against Pillarstone OP. We recorded the DPO amount as an asset in our financial statement line escrows and deposits.

The DPO Amount included a compromise settlement of approximately $1,688,000 for the disputed default interest and other fees.

On December 1, 2023, Pillarstone OP authorized and filed the Chapter 11 bankruptcy of its special purpose entity borrower that owns Uptown Tower (Whitestone Uptown Tower LLC) in the United States Bankruptcy Court for the Northern District of Texas.

On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP.

On February 9, 2024, the Lender filed suit in New York County, New York against the guarantor Whitestone OP and the Company for alleged amounts due under the guarantee. The compromise settlement is our best estimate of the amount due.

On March 4, 2024, Pillarstone Capital REIT (“Pillarstone REIT”) authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and all of its remaining special purpose entities in the United States Bankruptcy Court for the Northern District of Texas (the “Pillarstone Bankruptcies”). As of the date of this filing, Whitestone has not received consideration for our redemption of our equity investment in Pillarstone OP as required by the partnership agreement.

On April 24, 2024, the lender and Pillarstone OP filed a motion with the bankruptcy court seeking approval to settle the dispute and dismiss their mutual lawsuits including the lawsuit by the lender against the Company as Guarantor of the loan. On or before June 10, 2024, Pillarstone OP agreed to pay to the lender the sum of $1,123,950.24 plus all attorneys’ fees and costs (not to exceed $20,000.00) incurred by the lender from April 10, 2024 through the date of receipt of such payment. Upon timely receipt of the cash payment from Pillarstone OP, the lender shall retain and apply the $13,632,764.25 tendered to it by Whitestone REIT Operating Partnership, L.P. on or about December 4, 2023.

The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of the Pillarstone Bankruptcies.

Equity Method. In accordance compliance with ASU Accounting Standards Update (“ASU”) 2014-09 (“Topic 606”) and ASC Accounting Standards Codification (“ASC”) 610, “*Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets*,” the Company recognizes previously accounted for its investment in Pillarstone OP under using the equity method. However, subsequent to January 25, 2024, the Company ceased utilizing the equity method following the exercise of its notice of redemption for the majority of its investment in Pillarstone OP.

Accounting treatment of the redemption of our OP units in Pillarstone OP. On January 25, 2024, we executed an irrevocable redemption of substantially all our investment in Pillarstone OP, converting our equity investment into a receivable. Pillarstone OP conveyed their intention to forego issuing equity, opting instead to liquidate the properties to satisfy creditors, with Whitestone being significantly the largest creditor. Based on insights from our legal team and advisors, we anticipate that the most probable outcome will involve the liquidation of all Pillarstone properties.

The carrying value of our investment in Pillarstone OP was approximately $31.6 million as of January 25, 2024. We assert a claim of $70 million, inclusive of the $13 million default interest payment and accrued interest. It is anticipated that the claim and proceeds from liquidation will surpass the carrying value of our receivable for the redemption of our former equity investment in Pillarstone OP.

Subsequently, we reclassified our investment in Pillarstone OP to a receivable on our balance sheet after estimating 25 days of our share of the equity investment income. We will assess the credit losses of the receivable on a quarterly basis.

Any gains will be recognized once the proceeds received exceed our receivable.

This is within the scope of ASC 326, "*Financial Instruments - Credit Losses.*" The value of the unencumbered assets of Pillarstone OP is significantly in excess of Whitestone's basis in the account receivable, but the precise value cannot be determined at this time. When applying the estimated loss rate method with a zero loss rate, the Current Expected Credit Losses ("CECL") are zero according to ASC 326. We will continue to monitor our legal team's assessment of the bankruptcy case and the value of the assets of Pillarstone OP to evaluate the credit risk of the receivable.

Basis of Accounting. Our financial records are maintained on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates that we use include the estimated fair values of properties acquired, the estimated useful lives for depreciable and amortizable assets and costs, the grant date fair value of common share units included in share-based compensation expense, the estimated allowance for doubtful accounts, the estimated fair value of interest rate swaps, the estimates supporting our impairment analysis for the carrying values of our real estate assets, and the estimates made regarding Pillarstone REIT Operating Partnership LP's financial condition and results of operations. Actual results could differ from those estimates.

Reclassifications. We have reclassified certain prior period amounts in the accompanying consolidated financial statements in order to be consistent with the current period presentation. These reclassifications had no effect on net income, total assets, total liabilities or equity.

Restricted Cash. We classify all cash pledged as collateral to secure certain obligations and all cash whose use is limited as restricted cash. During 2015, pursuant to the terms of our $15.1 million 4.99% Note, due January 6, 2024 (see Note 7 (Debt)), which is was collateralized by our Anthem Marketplace property, we were required by the lenders thereunder to establish a cash management account controlled by the lenders to collect all amounts generated by our Anthem Marketplace property in order to collateralize such promissory note. The note was paid off in January 2024. As of March 31, 2024, we had no restricted cash.

Derivative Instruments and Hedging Activities. We utilize derivative financial instruments, principally interest rate swaps, to manage our exposure to fluctuations in interest rates. We have established policies and procedures for risk assessment, and the approval, reporting and monitoring of derivative financial instruments. We recognize our interest rate swaps as cash flow hedges with the effective portion of the changes in fair value recorded in comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged transaction affects earnings. Any ineffective portion of a cash flow hedges' change in fair value is recorded immediately into earnings. Our cash flow hedges are determined using Level 2 inputs under ASC 820, "*Fair Value Measurements and Disclosures.*" Level 2 inputs represent quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable. As of September 30, 2023 March 31, 2024, we consider our cash flow hedges to be highly effective.

Development Properties. Land, buildings and improvements are recorded at cost. Expenditures related to the development of real estate are carried at cost which includes capitalized carrying charges and development costs. Carrying charges (interest, real estate taxes, loan fees, and direct and indirect development costs related to buildings under construction) are capitalized as part of construction in progress. The capitalization of such costs ceases when the property, or any completed portion, becomes available for occupancy. For the three months ended September 30, 2023 March 31, 2024, approximately $ 142,000 134,000 and $ 85,000 in interest expense and real estate taxes, respectively, were capitalized, and for the nine months ended September 30, 2023, approximately $ 413,000 and $ 230,000 61,000 in interest expense and real estate taxes, respectively, were capitalized. For the three months ended September 30, 2022 March 31, 2023, approximately $ 112,000 134,000 and $ 72,000 in interest expense and real estate taxes, respectively, were capitalized, and for the nine months ended September 30, 2022 approximately $ 316,000 and $ 222,000 73,000 in interest expense and real estate taxes, respectively, were capitalized.

Share-Based Compensation. From time to time, we award nonvested restricted common share awards or restricted common share unit awards, which may be converted into common shares, to executive officers and employees under our 2018 Long-Term Equity Incentive Ownership Plan (the "2018 Plan"). Awarded shares and units vest when certain performance conditions are met. We recognize compensation expense when achievement of the performance conditions is probable based on management's most recent estimates using the fair value of the shares as of the grant date. We recognized $ 1,083,000 936,000 and $ 943,000 829,000 in share-based compensation net of forfeitures for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and we recognized $ 2,712,000 and $ 455,000 in share-based compensation net of forfeitures for the nine months ended September 30, 2023and 2022, respectively. On January 18, 2022, the Board of Trustees terminated James Mastandrea, with cause, from his position as Chief Executive Officer. Mr. Mastandrea was also replaced as Chairman of the Board. Following his termination, the Board of Trustees appointed Dave Holeman, previously our Chief Financial Officer, as Chief Executive Officer. In early 2022, the Company also replaced its Chief Operating Officer and Executive Vice President of Acquisitions and Asset

Management. As a result of these changes, we recognized a reduction of share-based compensation of $2.2 million during the three months ended March 31, 2022 due to forfeitures. We recognize forfeitures as they occur.

Noncontrolling Interests. Noncontrolling interests are the portion of equity in a subsidiary not attributable to a parent. Accordingly, we have reported noncontrolling interests in equity on the consolidated balance sheets but separate from Whitestone's equity. On the consolidated statements of operations and comprehensive income (loss), subsidiaries are reported at the consolidated amount, including both the amount attributable to Whitestone and noncontrolling interests. The consolidated statements of changes in equity is included for quarterly financial statements, including beginning balances, activity for the period and ending balances for shareholders' equity, noncontrolling interests and total equity.

Accrued Rents and Accounts Receivable. IIn ncluded in accrued rents and accounts receivable are base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. We review the collectability of charges under our tenant operating leases on a regular basis, taking into consideration changes in factors such as the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area where the property is located. We recognize an adjustment to rental revenue if we deem it probable that the receivable will not be collected. Our review of collectability under our operating leases includes any accrued rental revenues related to the straight-line method of reporting rental revenue. As of September 30, 2023 March 31, 2024 and December 31, 2022 2023, we had an allowance for uncollectible accounts of $14.2 million $13.9 million and $13.8 million $13.6 million, respectively. During both the three months ending September 30, 2023 March 31, 2024 and 2022 2023, we recorded an adjustment to rental revenue for bad debt, exclusive of straight-line rent reserve adjustments, resulting in a $0.4 0.6 million and $0.3 million decrease in revenue, for both periods, and during the respectively. nine months ending September 30, 2023 and 2022, we recorded an adjustment to rental revenue for bad debt, exclusive of straight-line rent reserve adjustment, in the amount of a $1.0 million and $0.6 million, respectively. Both adjustments resulted in a decrease in revenue. The three months ended September 30, 2023 March 31, 2024 included 17 cash basis tenants, resulting in an increase to rental revenue for straight-line rent adjustments of $0.03 million and a decrease to rental revenue for bad debt adjustments of $0.2 million, and the three months ended September 30, 2022 included 7719 cash basis tenants, resulting in a decrease to rental revenue for straight-line rent adjustments of $0.03 $0.02 million and an increase a decrease to rental revenue for bad debt adjustments of $0.2 million, respectively. $0.2 million. The nine three months ended September 30, March 31, 2023included 1771 cash basis tenants, resulting in a decrease to rental revenue for straight-line rent adjustments adjustment of $0.1 million $0.2 million and a decrease to rental revenue for bad debt adjustments of $0.5 million, and the nine months ended September 30, 2022 included 77 cash basis tenants, resulting in decreases to rental revenue for bad debt and straight-line rent adjustments of $0.4 million and$0.4 million$0.2 million, respectively.

Revenue Recognition. All leases on our properties are classified as operating leases, and the related rental income is recognized on a straight-line basis over the terms of the related leases. Differences between rental income earned and amounts due per the respective lease agreements are capitalized or charged, as applicable, to accrued rents and accounts receivable. Percentage rents are recognized as rental income when the thresholds upon which they are based have been met. Recoveries from tenants for taxes, insurance, and other operating expenses are recognized as revenues in the period the corresponding costs are incurred. We combine lease and nonlease components in lease contracts, which includes combining base rent, recoveries, and percentage rents into a single line item, *Rental*, within the consolidated statements of operations and comprehensive income. income (loss). Additionally, we have tenants who pay real estate taxes directly to the taxing authority. We exclude these costs paid directly by the tenant to third parties on our behalf from revenue recognized and the associated property operating expense.

Other property income primarily includes amounts recorded in connection with management fees and lease termination fees. Pillarstone OP paid us management fees for property management, leasing and day-to-day advisory and administrative services. The management agreement with Pillarstone OP was terminated on August 18, 2022. We recognize lease termination fees in the year that the lease is terminated and collection of the fee is probable. Amounts recorded within other property income are accounted for at the point in time when control of the goods or services transfers to the customer and our performance obligation is satisfied.

Reverse 1031 Exchange. From time to time, we may acquire properties utilizing a reverse like-kind exchange under Section 1031 of the Internal Revenue Code ("Reverse 1031 Exchange") in order to defer taxable gains on the subsequent sale of real estate properties. On June 12, 2023, we acquired Arcadia Towne Center for a total purchase price of approximately $25.5 million in cash and net prorations as part of a Reverse 1031 Exchange. On June 30, 2023 we sold Westchase and Sunridge and received net proceeds of $13.4 million. The acquired property and the net proceeds from the sold properties are in the possession of a limited liability company whose legal equity interest is owned by a qualified intermediary engaged to execute the Reverse 1031 Exchange until the Reverse 1031 Exchange is completed or terminated. The limited liability company was deemed to be a variable interest entity ("VIE") for which we are deemed to be the primary beneficiary as we have the ability to direct the activities of the entity that most significantly impact its economic performance and we have all of the risks and rewards of ownership. As such, the VIE, including the acquired property and net proceeds, was included in our consolidated financial statements as a consolidated VIE until legal title and net proceeds were transferred to us upon the completion of the Reverse 1031 Exchange on July 12, 2023.

See our Annual Report on Form 10-K for the year ended December 31, 2022 2023 for further discussion on significant accounting policies.

Recent Accounting Pronouncements.

In March 2020, the FASB issued Accounting Standards Update No.2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the discontinuation of the London Interbank Offered Rate (“LIBOR”) or by another reference rate expected to be discontinued because of reference rate reform. In January 2021, the FASB issued Accounting Standards Update No.2021-01, “Reference Rate Reform (Topic 848): Scope” (“ASU 2021-01”), which clarified the scope and application of the original guidance. We have elected this option and adopted ASU 2020-04 and ASU 2021-01 effective September 2022. There was no material impact on the Company’s consolidated financials statements as a result of adopting this guidance.

3. LEASES

As a Lessor. All leases on our properties are classified as noncancelable operating leases, and the related rental income is recognized on a straight-line basis over the terms of the related leases. Differences between rental income earned and amounts due per the respective lease agreements are capitalized or charged, as applicable, to accrued rents and accounts receivable. Percentage rents are recognized as rental income when the thresholds upon which they are based have been met. Recoveries from tenants for taxes, insurance, and other operating expenses are recognized as revenues in the period the corresponding costs are incurred. We combine lease and nonlease components in lease contracts, which includes combining base rent, recoveries, and percentage rents into a single line item, *Rental*, within the consolidated statements of operations and comprehensive income. income (loss).

A summary of minimum future rents to be received (exclusive of renewals, tenant reimbursements, contingent rents, and collectability adjustments under Topic 842) under noncancelable operating leases in existence as of September 30, 2023 March 31, 2024 is as follows (in thousands):

Years Ended December 31,	Minimum Future Rents(1)
2023 (remaining)	$ 24,923
2024	94,137
2025	78,458
2026	63,066
2027	50,484
Thereafter	147,552
Total	$ 458,620

(1) These amounts do not reflect future rental revenues from the renewal or replacement of existing leases and exclude reimbursements of operating expenses and rental increases that are not fixed.

Years Ended December 31,	Minimum Future Rents
2024 (remaining)	$ 74,197
2025	88,159
2026	73,653
2027	60,780
2028	46,937
Thereafter	136,262
Total	$ 479,988

As a Lessee. We have office space, automobile, and office machine leases, which qualify as operating leases, with remaining lease terms of one to five years. As of September 30, 2023 March 31, 2024, the Company had one ground lease with the lease term of 99 98 years. The lease is classified as a finance lease. The ground lease provides for variable rental payments based on CPI adjustment.

The following table summarizes the fixed, future minimum rental payments, excluding variable costs, which are discounted by our weighted average incremental borrowing rates to calculate the lease liabilities for our operating leases in which we are the lessee (in thousands):

Years Ended December 31,	Operating Leases	Finance Lease	Operating Leases	Finance Lease
2023 (remaining)	$ 22	$ 15		
2024	63	61		
2024 (remaining)			$ 62	$ 46
2025	42	63	42	63
2026	10	64	10	64
2027	2	65	2	65
2028			2	66
Thereafter	1	2,773	—	2,709
Total undiscounted rental payments	140	3,041	118	3,013
Less imputed interest	8	2,316	6	2,297
Total lease liabilities	$ 132	$ 725	$ 112	$ 716

For the three months ended September 30, 2023 March 31, 2024 and 2022 2023, the total lease costs for operating leases were $ 23,000 19,000 and $ 122,000, 33,000, respectively, and for the finance lease were $ 21,000 22,000 and $0, respectively. For the nine months ended September 30, 2023 and 2022, the total lease costs for operating leases were $ 64,000 and $552,000 respectively, and for the finance lease were $72,000 and $0, $29,000, respectively. The weighted average remaining lease term for our operating leases and our finance lease was 2.4 2.3 and 98 years, respectively, at September 30, 2023 March 31, 2024. We do not include renewal options in the lease term for calculating the lease liability unless we are reasonably certain we will exercise the option or the lessor has the sole ability to exercise the option. The weighted average incremental borrowing rate was 4.9% 4.7% for our operating leases and 6% for our finance lease at September 30, 2023 March 31, 2024.

4. ACCRUED RENTS AND ACCOUNTS RECEIVABLE, NET

Accrued rents and accounts receivable, net consists of amounts accrued, billed and due from tenants, allowance for doubtful accounts and other receivables as follows (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Tenant receivables	$ 16,719	$ 16,828	$ 16,869	$ 16,287
Accrued rents and other recoveries	24,989	22,103	27,126	26,751
Allowance for doubtful accounts	(14,184)	(13,822)	(13,919)	(13,570)
Other receivables	1,459	461	979	1,124
Total	$ 28,983	$ 25,570	$ 31,055	$ 30,592

5. UNAMORTIZED LEASE COMMISSIONS, LEGAL FEES AND LOAN COSTS

Costs which have been deferred consist of the following (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Leasing commissions	$ 17,852	$ 16,364	$ 20,335	$ 19,462
Deferred legal cost	360	364	335	356
Deferred financing cost	4,149	4,149	4,205	4,149
Total cost	22,361	20,877	24,875	23,967

Less: leasing commissions accumulated amortization	(8,406)	(7,649)	(9,020)	(8,744)
Less: deferred legal cost accumulated amortization	(271)	(263)	(262)	(272)
Less: deferred financing cost accumulated amortization	(943)	(268)	(1,393)	(1,168)
Total cost, net of accumulated amortization	$ 12,741	$ 12,697	$ 14,200	$ 13,783

6. INVESTMENT IN REAL ESTATE PARTNERSHIP

On December 8, 2016, we, through our Operating Partnership, entered into a Contribution Agreement (the "Contribution Agreement") with Pillarstone OP and Pillarstone Capital REIT ("Pillarstone REIT") pursuant to which we contributed all of the equity interests in four of our wholly-owned subsidiaries that, at the time, owned 14 non-core properties that did not fit our Community Centered Property® strategy (the "Pillarstone Properties"), to Pillarstone OP for aggregate consideration of approximately $84 million, consisting of (1) approximately $18.1 million of Class A units representing limited partnership interests in Pillarstone OP ("Pillarstone OP Units") and (2) the assumption of approximately $65.9 million of liabilities (collectively, the "Contribution"). As of March 31, 2024, our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as required by the partnership agreement. We intend to pursue collection of amounts due from Pillarstone OP through all means necessary and while we do not know the ultimate amount to be collected, we believe the amount will be in excess of the current carrying value of our equity investment in Pillarstone OP. Please refer to Note 2in this Quarterly Report on form 10-Q for more information regarding the accounting treatment of the redemption of our OP units in Pillarstone OP.

In connection with the Contribution, Whitestone TRS, Inc., a subsidiary of the Company ("Whitestone TRS"), entered into a management agreement with the entities that own the contributed Pillarstone Properties (collectively, the "Management Agreements"). Pursuant to the Management Agreements, Whitestone TRS agreed to provide certain property management, leasing and day-to-day advisory and administrative services. The management agreement was Management Agreements were terminated on August 18, 2022. Prior to the termination of the Management Agreement, we reported approximately $144,000 in property management fee income on a quarterly basis.

In connection with the Contribution, on December 8, 2016, the Operating Partnership entered into a Tax Protection Agreement with Pillarstone REIT and Pillarstone OP pursuant to which Pillarstone OP agreed to indemnify the Operating Partnership for certain tax liabilities resulting from its recognition of income or gain prior to December 8, 2021 if such liabilities result from a transaction involving a direct or indirect taxable disposition of all or a portion of the Pillarstone Properties or if Pillarstone OP fails to maintain and allocate to the Operating Partnership for taxation purposes minimum levels of liabilities as specified in the Tax Protection Agreement, the result of which causes such recognition of income or gain and the Company incurs taxes that must be paid to maintain its REIT status for federal income tax purposes.

We rely on reporting from Pillarstone OP's general partner, Pillarstone Capital REIT ("PRLE"), for financial information regarding the Company's investment in Pillarstone OP. PRLE is a public company that is delinquent in its SEC reporting obligations, having yet to file its Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2022 and the three and six months ended June 30, 2023, and its Annual Report on Form 10-K for the year ended December 31, 2022. Despite numerous attempts by us to obtain this information as required by the limited partnership agreement between Pillarstone Capital REIT and Whitestone REIT Operating Partnership, PRLE has failed to produce such information. As a result, we have relied on other publicly available information as a basis to estimate the net income, depreciation and amortization, and other metrics used in our financial reporting. We also estimated certain expenses, such as legal and professional fees based on information publicly disclosed by PRLE, allocating such expenses based on what we believe can be charged to Pillarstone OP and which expenses cannot be charged to Pillarstone OP pursuant to the limited partnership agreement between Pillarstone Capital REIT and Whitestone REIT Operating Partnership. We have requested for PRLE to characterize the fees and notify us of which fees they intend to charge to Pillarstone OP, but PRLE has not provided the information. To the extent PRLE provides updated financial information as required and requested, we will adjust our financial reporting for Pillarstone OP as appropriate. There can be no assurance that PRLE actual financial results will not differ materially from our estimates.

The table below presents the real estate partnership investment in which the Company holds an ownership interest (in thousands):

		Company's Investment as of			Company's Investment as of	
Real estate partnership	Ownership Interest	September 30, 2023	December 31, 2022	Ownership Interest	March 31, 2024	December 31, 2023
Pillarstone OP	81.4%	$ 33,200	$ 34,826	81.4%	$ —	$ 31,671

Total real estate partnership(1)(2)(3)	$ 33,200	$ 34,826	$ —	$ 31,671

(1) Representing eight property interests and 926,798 square feet of GLA, as of September 30, 2023 and December 31, 2022. 2023. Subsequent to January 25, 2024, the Company ceased utilizing the equity method following the exercise of its notice of redemption for the majority of its investment in Pillarstone OP. We reclassified our investment in Pillarstone OP to a receivable on our balance sheet after estimating 25 days of our share of the equity investment income.

(2) On December 26, 2021, the Board of Trustees of Pillarstone REIT adopted a new shareholder rights agreement (the “Pillarstone Rights Agreement”), pursuant to which each holder of Pillarstone REIT common stock received one preferred share purchase right (a “Right”) per common share held as of the applicable record date. Each Right entitles the registered holder to purchase from Pillarstone REIT one one-thousandth (a “Unit”) of a series D preferred share of Pillarstone at a purchase price (“Purchase Price”) of $7.00 per Unit, subject to adjustment. The Rights are exercisable upon the occurrence of certain events as described in the Pillarstone Rights Agreement, including the acquisition by certain holders of 5% or more of the common shares of Pillarstone REIT (an “Acquiring Person”). Upon the acquisition of Pillarstone REIT common shares by an Acquiring Person, each holder of a Right (other than an Acquiring Person), will have the right to receive upon exercise a number of Pillarstone REIT common shares having a market value of two times the Purchase Price. As set forth in the Amended and Restated Limited Partnership Agreement of Pillarstone OP, dated as of December 8, 2016 (the “Pillarstone Partnership Agreement”), we have the contractual right to have our limited partnership interests in Pillarstone redeemed at our discretion. However, upon receipt of a redemption notice, Pillarstone OP has the option to pay the applicable redemption price in cash, based on the market value of Pillarstone REIT common shares, or in Pillarstone REIT common shares. To the extent we seek to have our partnership units in Pillarstone OP redeemed and Pillarstone OP elects to pay the applicable redemption price in Pillarstone REIT common shares (and such shares represent 5% or more of the outstanding common shares of Pillarstone REIT), the Rights could become exercisable. To the extent the Rights are exercised as a result of our Pillarstone OP units being redeemed for Pillarstone REIT common shares, our ownership interest in Pillarstone REIT would be significantly diluted, which could adversely impact the value of our investment in Pillarstone OP. Because Pillarstone REIT seeks sought to use the Pillarstone Rights Agreement to prevent Whitestone OP from exercising its contractual Redemption Right, on July 12, 2022, Whitestone OP filed suit against Pillarstone REIT in the Court of Chancery of the State of Delaware challenging the Pillarstone Rights Agreement due to Pillarstone REIT’s alleged (i) breach of the Pillarstone Partnership Agreement, (ii) breach of its fiduciary duty as general partner of Pillarstone OP to Whitestone OP, (iii) and breach of the implied covenant of good faith and fair dealing under the Pillarstone Partnership Agreement. The lawsuit seeks rescission and voiding of the Pillarstone Rights Agreement; a declaration that the Pillarstone Rights Agreement is unenforceable, invalid, and of no force and effect; an order permanently enjoining enforcement of the Pillarstone Rights Agreement; an award of monetary damages; and broad restrictions on Pillarstone REIT’s ability to conduct its business, including buying properties, enforcing the Rights Agreement, incurring expenses, or engaging in transactions. On September 8, 2022, Whitestone OP’s Motion to Preserve the Status Quo was granted by the Court, limiting Pillarstone OP from engaging in any acts outside the ordinary course of business and otherwise imposing restrictions on Pillarstone OP to ensure that Whitestone’s right of redemption is not impaired while the underlying dispute is being considered by the Court. Trial was On January 25, 2024, the Delaware Court of Chancery: held on July 17-18,2023,that Pillarstone breached the implied covenant of good faith and the post-trial briefing was held on October 18, 2023. Thereafter, the Court will issue a decision on Whitestone OP’s outstanding claims. Whitestone OP is asking the Court to declare fair dealing when it adopted the Pillarstone Rights Agreement that thwarted Whitestone OP from exercising the unfettered contractual redemption right it obtained in connection with its investment in the partnership; and the Court held that the Rights Plan was unenforceable as to the limited partner and to permit allowed Whitestone OP to tender exercise its redemption right; allowed Pillarstone to determine the current value of the Partnership’s assets; and, as necessary, later enter a Notice of Redemption. In addition (or alternatively), Whitestone OP seeks an award of monetary damages of at least $51,200,600 based on judgment against Pillarstone for the difference between the amount that Pillarstone's misconduct precluded Whitestone OP from receiving would have received in or around December 2021 and the current value. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. On March 4, 2024, Pillarstone REIT authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and the remainder of its special purpose entities in the United States Bankruptcy Court for the Northern District of Texas. As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as well as an award required by the partnership agreement. We intend to pursue collection of pre- amounts due from Pillarstone OP through all means necessary and post-judgment interest at while we do not know the statutory rate. ultimate amount to be collected, we believe the amount will be in excess of the current carrying value of our equity investment in Pillarstone OP.

(3) We rely on reporting provided to us by Pillarstone OP’s general partner for financial information regarding the Company’s investment in Pillarstone OP. Because Pillarstone OP financial statements as of September 30, December 31, 2023have not been made available to us, we have estimated the value of the investment based on the information available to us at the time of this report.

The table below presents the Company’s share of net income (loss) from its investment in the real estate partnership which is included in equity (deficit) deficit in earnings of real estate partnership, net on the Company’s consolidated statements of operations and comprehensive income (loss) (in thousands):

	Three Months Ended September 30,	Nine Months Ended September 30,

	2023	2022	2023	2022
Pillarstone OP	$ (375)	$ 65	$ (1,627)	$ 304

	Three Months Ended March 31,	
	2024	2023
Pillarstone OP	$ (28)	$ (218)

Summarized financial information for the Company's investment in real estate partnership is as follows (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets:				
Real estate, net	$ 47,268	$ 47,727	$ —	$ 47,115
Other assets	9,680	9,680	—	6,680
Total assets(1)	56,948	57,407	—	53,795
Liabilities and equity:				
Notes payable	14,373	14,616	—	14,292
Other liabilities	4,040	3,782	—	4,040
Equity	38,535	39,009	—	35,463
Total liabilities and equity(2)	56,948	57,407	—	53,795
Company's share of equity	31,387	31,773	—	28,885
Cost of investment in excess of the Company's share of underlying net book value	1,813	3,053	—	2,786
Carrying value of investment in real estate partnership(3)	$ 33,200	$ 34,826	$ —	$ 31,671

(1) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of September 30, December 31, 2023have not been made available to us, we have estimated total assets and its components based on the information available to us at the time of this report.

(2) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of September 30, December 31, 2023have not been made available to us, we have estimated total liabilities and equity and its components based on the information available to us at the time of this report.

(3) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of September 30, December 31, 2023have not been made available to us, we have estimated the value of the investment based on the information available to us at the time of this report.

	Three Months Ended September 30,	Nine Months Ended September 30,

	2023	2022	2023	2022	For the Period from January 1, 2024 to January 25, 2024(1) (2)	Three Months Ended March 31, 2023 (1)
Revenues	$ 2,152	$ 2,288	$ 6,307	$ 6,892	$ 591	$ 2,003
Operating expenses	(2,372)	(1,895)	(7,584)	(5,446)	(559)	(2,032)
Other expenses	(207)	(281)	(621)	(974)	(56)	(206)
Net income (loss) (1)	$ (427)	$ 112	$ (1,898)	$ 472		
Net loss					$ (24)	$ (235)

(1) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of September 30, March 31, 2024 and March 31, 2023 have not been made available to us, we have estimated net income (loss) loss and its components based on the information available to us at the time of this report.

(2) The estimated net loss and its components are calculated through January 25, 2024, the redemption date.

The amortization of the basis difference between the cost of investment and the Company's share of underlying net book value for both of the three months ended September 30, 2023 March 31, 2024 and 2022 2023 is $ 27,000 7,000 and for both of the nine months ended September 30, 2023 and 2022 is $ 81,000. $27,000 respectively. The Company fully amortized the difference into equity deficit in earnings of real estate partnership on the consolidated statements of operations and comprehensive income. income (loss).

The Company has evaluated its guarantee to Pillarstone OP pursuant to ASC 460, "*Guarantees,*" and has determined the guarantee to be a performance guarantee, for which ASC 460 contains initial recognition and measurement requirements, and related disclosure requirements. The Company is obligated in two respects: (i) a noncontingent liability, which represents the Company's obligation to stand ready to perform under the terms of the guarantee in the event that the specified triggering event(s) occur; and (ii) the contingent liability, which represents the Company's obligation to make future payments if those triggering events occur. The fair value of our loan guarantee to Pillarstone OP is estimated on a Level 3 basis (as provided by ASC 820), using a probability-weighted discounted cash flow analysis based on a discount rate, discounting the loan balance. The Company recognized a noncontingent liability of $462,000 at the inception of the guarantee at fair value which is recorded on the Company's consolidated balance sheets, net of accumulated amortization. The Company will amortize the guarantee liability into income over seven years. For the three months ended September 30, 2023 March 31, 2024 and 2022 2023, the amortization of the guarantee liability was approximately $ 0 and $ 9,000, respectively, and for the nine months ended September 30, 2023 and 2022, the amortization of the guarantee liability was $ 18,000 and $ 28,000, respectively. The Company has a limited guarantee on Pillarstone OP's loan for its Uptown Tower property located in Dallas, Texas, with an aggregate principal amount of $14.4 million as of September 30, 2023. The guarantee is a so-called "bad boy" carve-out guarantee, which is generally only applicable if and when the borrower engages in acts such as fraud, prohibited transfers, breaches of material representations, environmental matters, and bankruptcy. The debt matured on October 4, 2023, and is currently in default, as Pillarstone OP failed to refinance the loan. The loan is also secured by the Uptown Tower property. While the Company has not recorded a contingent liability, there remains the possibility that the acts of Pillarstone OP could result in liability to us under the guarantee. On October 24, 2023, the lender provided notice of a planned foreclosure sale on December 5, 2023. The lender is claiming that an additional sum of $4.6 million is due which includes default interest of approximately $6.3 million and net credits from escrowed funds and other charges of approximately $1.7 million. The default interest charges are in dispute, and we believe that the value of Uptown Tower exceeds the total amount claimed by the lender.

7. DEBT

Certain subsidiaries of Whitestone are the borrowers under various financing arrangements. These subsidiaries are separate legal entities, and their respective assets and credit are not available to satisfy the debt of Whitestone or any of its other subsidiaries.

Debt consisted of the following as of the dates indicated (in thousands):

Description	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Fixed rate notes				
$265.0 million, 3.18% plus 1.45% to 2.10% Note, due January 31, 2028 (1)	$ 265,000	$ 265,000	$ 265,000	$ 265,000
$80.0 million, 3.72% Note, due June 1, 2027	80,000	80,000	80,000	80,000
$19.0 million 4.15% Note, due December 1, 2024	17,750	18,016	17,566	17,658
$20.2 million 4.28% Note, due June 6, 2023	—	17,375		
$14.0 million 4.34% Note, due September 11, 2024	12,499	12,709	12,354	12,427
$14.3 million 4.34% Note, due September 11, 2024	13,324	13,520	13,189	13,257
$15.1 million 4.99% Note, due January 6, 2024	13,423	13,635	—	13,350
$2.6 million 5.46% Note, due October 1, 2023	—	2,236		
$50.0 million, 5.09% Note, due March 22, 2029	42,857	50,000		
$50.0 million, 5.17% Note, due March 22, 2029	50,000	50,000		
$3.0 million 6.78% Note, due December 28, 2023	818	—		
$50.0 million, 5.09% Note, due March 22, 2029 (Series A)			35,714	42,857
$50.0 million, 5.17% Note, due March 22, 2029 (Series B)			50,000	50,000
$2.5 million 7.79% Note, due February 28, 2025			2,494	—
$50.0 million, 3.71% plus 1.50% to 2.10% Note, due September 16, 2026 (2)	50,000	—	50,000	50,000
Floating rate notes				
Unsecured line of credit, SOFR plus 1.50% to 2.10%, due September 16, 2026	87,500	103,500	119,000	96,000
Total notes payable principal	633,171	625,991	645,317	640,549
Less deferred financing costs, net of accumulated amortization	(421)	(564)	(336)	(377)
Total notes payable	$ 632,750	$ 625,427	$ 644,981	$ 640,172

(1) Promissory note includes an interest rate swap that fixes the SOFR portion of the term loan at an interest rate of 2.16% through October 28, 2022, 2.76% from October 29, 2022 through January 31, 2024, and 3.32% beginning February 1, 2024 through January 31, 2028.

(2) A portion of the unsecured line of credit includes an interest rate swap to fix the SOFR portion of the loan at 3.71%.

On March 22, 2019, we, through our Operating Partnership, entered into a Note Purchase and Guarantee Agreement (the “Note Agreement”) together with certain subsidiary guarantors as initial guarantor parties thereto (the “Subsidiary Guarantors”) and The Prudential Insurance Company of America and the various other purchasers named therein (collectively, the “Purchasers”) providing for the issuance and sale of $100 million of senior unsecured notes of the Operating Partnership, of which (i) $50 million are designated as 5.09% Series A Senior Notes due March 22, 2029 (the “Series A Notes”) and (ii) $50 million are designated as 5.17% Series B Senior Notes due March 22, 2029 (the “Series B Notes” and, together with the Series A Notes, the “Notes”) pursuant to a private placement that closed on March 22, 2019 (the “Private Placement”). Obligations under the Notes are unconditionally guaranteed by the Company and by the Subsidiary Guarantors.

On December 16, 2022, Whitestone REIT (the “Company”) and its operating partnership, Whitestone REIT Operating Partnership, L.P. (the “Operating Partnership”), amended its Note Purchase and Guarantee Agreement originally executed on March 22, 2019 (the “Existing Note Agreement”), pursuant to the terms and conditions of an Amendment No. 1 to Note Purchase and Guaranty Agreement, dated as of December 16, 2022 (the Existing Note Purchase Agreement, as so amended, the “Amended Note Agreement”), by and among the Company and the Operating Partnership, together with certain subsidiary guarantors as initial guarantor parties thereto and The Prudential Insurance Company of America and the various other purchasers named therein.

Neither the term of the Existing Note Agreement, the interest rate, nor the principal amounts, were amended. The purpose of the amendment is to conform certain covenants and defined terms contained in the Amended Note Agreement with the Company’s recently amended unsecured credit facility with the lenders party thereto, Bank of

Montreal, as administrative agent, Truist Bank, as syndication agent, and BMO Capital Markets Corp., Truist Bank, Capital One, National Association, and U.S. Bank National Association, as co-lead arrangers and joint book runners.

The principal of the Series A Notes began to amortize on March 22, 2023 with annual principal payments of approximately $7.1 million. The principal of the Series B Notes will begin to amortize on March 22, 2025 with annual principal payments of $10.0 million. The Notes will pay interest quarterly on the 22nd day of March, June, September and December in each year until maturity.

The Operating Partnership may prepay at any time all, or from time to time part of, the Notes, in an amount not less than $1,000,000 in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus a make-whole amount. The make-whole amount is equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the Notes being prepaid over the aggregate principal amount of such Notes (as described in the Note Agreement). In addition, in connection with a Change of Control (as defined in the Note Purchase Agreement), the Operating Partnership is required to offer to prepay the Notes at 100% of the principal amount plus accrued and unpaid interest thereon.

The Note Agreement contains representations, warranties, covenants, terms and conditions customary for transactions of this type and substantially similar to the Operating Partnership's existing senior revolving credit facility, including limitations on liens, incurrence of investments, acquisitions, loans and advances and restrictions on dividends and certain other restricted payments. In addition, the Note Agreement contains certain financial covenants substantially similar to the Operating Partnership's existing senior revolving credit facility, including the following:

- maximum total indebtedness to total asset value ratio of 0.60 to 1.00;
- maximum secured debt to total asset value ratio of 0.40 to 1.00;
- minimum EBITDA (earnings before interest, taxes, depreciation, amortization or extraordinary items) to fixed charges ratio of 1.50 to 1.00;
- maximum secured recourse debt to total asset value ratio of 0.15 to 1.00;
- maintenance of a minimum tangible net worth (adjusted for accumulated depreciation and amortization) of 75% of the Company's total net worth as of December 31, 2021 plus 75% of the net proceeds from additional equity offerings (as defined therein); and
- minimum adjusted property NOI to implied unencumbered debt service ratio of 1.50 to 1.00.

In addition, the Note Agreement contains a financial covenant requiring that maximum unsecured indebtedness not exceed the ratio of unsecured indebtedness to unencumbered asset pool of 0.60 to 1.00. That covenant is substantially similar to the borrowing base concept contained in the Operating Partnership's existing senior revolving credit facility.

The Note Agreement also contains default provisions, including defaults for non-payment, breach of representations and warranties, insolvency, non-performance of covenants, cross-defaults with other indebtedness and guarantor defaults. The occurrence of an event of default under the Note Agreement could result in the Purchasers accelerating the payment of all obligations under the Notes. The financial and restrictive covenants and default provisions in the Note Agreement are substantially similar to those contained in the Operating Partnership's existing credit facility.

Net proceeds from the Private Placement were used to refinance existing indebtedness. The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. The Notes were sold in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act.

On September 16, 2022, we, through our Operating Partnership, entered into an unsecured credit facility (the "2022 Facility") with the lenders party thereto, Bank of Montreal, as administrative agent (the "Administrative Agent"), Truist Bank, as syndication agent, and BMO Capital Markets Corp., Truist Bank, Capital One, National Association, and U.S. Bank National Association, as co-lead arrangers and joint book runners. The 2022 Facility amended and restated the Company's previous unsecured revolving credit facility, dated January 31, 2019 (the "2019 Facility").

The 2022 Facility is comprised of the following two tranches:

- $250.0 million unsecured revolving credit facility with a maturity date of September 16, 2026 (the “2022 Revolver”);
- $265.0 million unsecured term loan with a maturity date of January 31, 2028 (“Term Loan”).

Borrowings under the 2022 Facility accrue interest (at the Operating Partnership's option) at a Base Rate or an Adjusted Term Secured Overnight Financing Rate (“SOFR”) plus an applicable margin based upon our then existing leverage. As of September 30, 2023 March 31, 2024, the interest rate on the 2022 Revolver was 7.03% 6.87%. Based on our current leverage ratio, the revolver has initial interest rate of SOFR plus 1.60% and a 10 basis point credit spread adjustment. In addition, we entered into interest rate swaps to fix the interest rates on the Term Loan. The Term Loan with the swaps has the following interest rates:

- 2.16% plus 1.55% through October 28, 2022
- 2.80% plus 1.55% from October 29, 2022 through January 31, 2024
- 3.42% plus 1.55% from February 1, 2024 through January 31, 2028

The 2022 Facility also has a pricing provision where the applicable margin can be adjusted by an aggregate 0.02% per annum based on the Company’s performance on certain sustainability performance targets. Base Rate means, for any day, the higher of: (a) the Administrative Agent’s prime commercial rate, (b) the sum of (i) the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York for such day, plus (ii) 0.50%, or (c) the sum of (i) Adjusted Term SOFR for a one-month tenor in effect on such day plus (ii) 1.10%. Adjusted Term SOFR means, for any such day, the sum of (i) the SOFR-based term rate for the day two (2) business days prior and (ii) 0.10%.

The 2022 Facility includes an accordion feature that will allow the Operating Partnership to increase the borrowing capacity by $200.0 million, upon the satisfaction of certain conditions. As of September 30, 2023 March 31, 2024, subject to any potential future paydowns or increases in the borrowing base, we have $112.5 million have $81.0 million remaining availability under the 2022 Revolver. As of September 30, 2023 March 31, 2024, $402.5 $434.0 million was drawn on the 2022 Facility and our unused borrowing capacity was $112.5 million, $81.0 million, assuming that we use the proceeds of the 2022 Facility to acquire properties, or to repay debt on properties, that are eligible to be included in the unsecured borrowing base. The Company used $379.5 million of proceeds from the 2022 Facility to repay amounts outstanding under the 2019 Facility.

The Company, each direct and indirect material subsidiary of the Operating Partnership and any other subsidiary of the Operating Partnership that is a guarantor under any unsecured ratable debt will serve as a guarantor for funds borrowed by the Operating Partnership under the 2022 Facility. The 2022 Facility contains customary terms and conditions, including, without limitation, customary representations and warranties and affirmative and negative covenants including, without limitation, information reporting requirements, limitations on investments, acquisitions, loans and advances, mergers, consolidations and sales, incurrence of liens, dividends and restricted payments. In addition, the 2022 Facility contains certain financial covenants including the following:

- maximum total indebtedness to total asset value ratio of 0.60 to 1.00;
- maximum secured debt to total asset value ratio of 0.40 to 1.00;
- minimum EBITDA (earnings before interest, taxes, depreciation, amortization or extraordinary items) to fixed charges ratio of 1.50 to 1.00;
- maximum other recourse debt to total asset value ratio of 0.15 to 1.00; and
- maintenance of a minimum tangible net worth (adjusted for accumulated depreciation and amortization) of 75% of the Company's total net worth as of December 31, 2021 $449 million plus 75% of the net proceeds from additional equity offerings (as defined therein); and
- minimum adjusted property NOI to implied unencumbered debt service ratio of 1.50 to 1.00..

We serve as the guarantor for funds borrowed by the Operating Partnership under the 2022 Facility. The 2022 Facility contains customary terms and conditions, including, without limitation, affirmative and negative covenants such as information reporting requirements, maximum secured indebtedness to total asset value, minimum EBITDA (earnings before interest, taxes, depreciation, amortization or extraordinary items) to fixed charges, and maintenance of a minimum net worth. The 2022 Facility also contains customary events of default with customary notice and cure, including, without limitation, nonpayment, breach of covenant, misrepresentation of representations and warranties in a material respect, cross-default to other major indebtedness, change of control, bankruptcy and loss of REIT tax status.

As of September 30, 2023 March 31, 2024, our $137.0 $123.11 million in secured debt was collateralized by five four properties with a carrying value of $212.9 $190.7 million. Our loans contain restrictions that would require the payment of prepayment penalties for the acceleration of outstanding debt and are secured by deeds of trust on certain of our properties and by assignment of the rents and leases associated with those properties. As of September 30, 2023 March 31, 2024, we were in compliance with all loan covenants.

Scheduled maturities of our outstanding debt as of September 30, 2023 March 31, 2024 were as follows (in thousands):

Year	Amount Due	Amount Due
2023 (remaining)	$ 1,383	
2024	63,573	
2024 (remaining)		$ 45,150
2025	17,143	17,596
2026	154,643	186,143
2027	97,143	97,143
2028		282,143
Thereafter	299,286	17,142
Total	$ 633,171	$ 645,317

8. DERIVATIVES AND HEDGING ACTIVITIES

The fair value of our interest rate swaps is as follows (in thousands):

Balance Sheet Location	September 30, 2023 Estimated Fair Value	March 31, 2024 Estimated Fair Value
Prepaid expenses and other assets	$ 12,668	$ 7,620

Balance Sheet Location	December 31, 2022 Estimated Fair Value	December 31, 2023 Estimated Fair Value
Prepaid expenses and other assets	$ 6,065	$ 2,613

On March 31, 2023, we, through our Operating Partnership, entered into an interest rate swap of $50 million ("Revolver Swap") with Bank of Montreal that fixed the unhedged SOFR portion of the variable rate debt at 3.71%. Pursuant to the terms of the agreement governing the interest rate swap, Bank of Montreal assigned $10.0 million of the swap to U.S. Bank, $10.0 million of the swap to Capital One, $12.5 million of the swap to SunTrust Bank, and $2.5 million of the swap to Associated Bank. The swap began on March 31, 2023 and will mature on September 16, 2026. We designated the interest rate swap as a cash flow hedge with the effective portion of the changes in fair value recorded in comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged transaction affects earnings. The Company does not expect any amount of the existing gains or losses to be reclassified into earnings within the next 12 months.

On September 16, 2022, we, through our Operating Partnership, entered an interest rate swap with Bank of Montreal that fixed the unhedged SOFR portion of Term Loan under the 2022 Facility at 3.32%. The notional amount of the swap begins at $100 million on October 29, 2022, and increases to $265 million on February 1, 2024, maturing on January 31, 2028. Pursuant to the terms of the agreement governing the interest rate swap, Bank of Montreal assigned beginning and ending notionals of $20.7 million and $54.8 million of the swap, respectively, to U.S. Bank, National Association, beginning and ending notionals of $25.4 million and $67.2 million of the swap, respectively, to Truist Bank, beginning and ending notionals of $20.7 million and $54.8 million of the swap, respectively, to Capital One, National Association, and beginning and ending notionals of $5.9 million and $15.7 million of the swap, respectively, to Associated Bank. See Note 7 (Debt) for additional information regarding the 2022 Facility. We designated the interest rate swap as a cash flow hedge with the effective portion of the changes in fair value recorded in comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged transaction affects earnings. The Company does not expect any amount of the existing gains or losses to be reclassified into earnings within the next 12 months.

On January 31, 2019, we, through our Operating Partnership, entered into an interest rate swap of $165 million with Bank of Montreal that fixed the LIBOR portion of our $165 million term loan under the 2019 Facility at 2.43%. Pursuant to the terms of the agreement governing the interest rate swap, Bank of Montreal assigned $32.6 million of the swap to U.S. Bank, National Association, $29.4 million of the swap to Regions Bank, $40.0 million of the swap to SunTrust Bank, and $15.0 million of the swap to Associated Bank. Effective September 7, 2022, Regions Bank novated $29.4 million of the swap to Bank of Montreal. See Note 7 (Debt) for additional information regarding the 2019 Facility. The swap began on February 8, 2021 and will mature matured on January 31, 2024. Effective September 16, 2022, our contracts indexed to LIBOR were converted to SOFR. We have designated the interest rate swap as a cash flow hedge with the effective portion of the changes in fair value to be recorded in comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged transaction affects earnings. The ineffective portion of the change in fair value, if any, will be recognized directly in earnings. The Company does not expect any amount of the existing gains or losses to be reclassified into earnings within the next 12 months.

A summary of our interest rate swap activity is as follows (in thousands):

	Amount Recognized as Comprehensive Income	Location of Income (Loss) Recognized in Earnings	Amount of Income (Loss) Recognized in Earnings (1)
Three Months Ended September 30, 2023	$ 4,094	Interest expense	$ 1,929
Three Months Ended September 30, 2022	$ 5,962	Interest expense	$ 52
Nine Months Ended September 30, 2023	$ 6,602	Interest expense	$ 4,833
Nine Months Ended September 30, 2022	$ 14,623	Interest expense	$ (2,276)

	Amount Recognized as Comprehensive Income (Loss)	Location of Income Recognized in Earnings	Amount of Income Recognized in Earnings (1)
Three Months Ended March 31, 2024	$ 5,007	Interest expense	$ 1,699
Three Months Ended March 31, 2023	$ (4,587)	Interest expense	$ 1,203

(1) There was no ineffective portion of our interest rate swaps to recognize in earnings for the three and ninemonths ended September 30, 2023 March 31, 2024 and 2022 2023.

9. EARNINGS PER SHARE

Basic earnings per share for our common shareholders is calculated by dividing net income excluding the net income attributable to unvested restricted common shares and the net income attributable to noncontrolling interests, by our weighted average common shares outstanding during the period. Diluted earnings per share is computed by dividing the net income attributable to common shareholders, excluding the net income attributable to unvested restricted common shares and the net income attributable to noncontrolling interests, by the weighted average number of common shares including any dilutive unvested restricted common shares.

Certain of our performance-based restricted common shares are considered participating securities that require the use of the two-class method for the computation of basic and diluted earnings per share. During the three months ended September 30, 2023 March 31, 2024 and 2022 2023, 693,595 663,622 and 752,327 OP units, respectively, were excluded from the calculation of diluted earnings per share because their effect would be anti-dilutive, and during the nine months ended September 30, 2023 and 2022, 694,054 and 752,634 694,470 OP units, respectively, were excluded from the calculation of diluted earnings per share because their effect would be anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
(in thousands, except per share data)	2023	2022	2023	2022	2024	2023
Numerator:						
Net income	$ 2,521	$ 3,975	$ 17,887	$ 15,570	$ 9,464	$ 3,901
Less: Net income attributable to noncontrolling interests	(35)	(60)	(248)	(239)	(124)	(54)
Net income attributable to common shareholders excluding amounts attributable to unvested restricted shares	$ 2,486	$ 3,915	$ 17,639	$ 15,331	$ 9,340	$ 3,847
Denominator:						
Weighted average number of common shares - basic	49,534	49,274	49,472	49,211	49,940	49,424
Effect of dilutive securities:						
Unvested restricted shares	1,103	855	927	705	1,172	736
Weighted average number of common shares - dilutive	50,637	50,129	50,399	49,916	51,112	50,160
Earnings Per Share:						
Basic:						
Net income attributable to common shareholders excluding amounts attributable to unvested restricted shares	$ 0.05	$ 0.08	$ 0.36	$ 0.31	$ 0.19	$ 0.08
Diluted:						
Net income attributable to common shareholders excluding amounts attributable to unvested restricted shares	$ 0.05	$ 0.08	$ 0.35	$ 0.31	$ 0.18	$ 0.08

10. INCOME TAXES

With the exception of our taxable REIT subsidiaries, federal income taxes are generally not provided because we intend to and believe we continue to qualify as a REIT under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and because we have distributed and intend to continue to distribute all of our taxable income to our shareholders. As a REIT, we must distribute at least 90% of our REIT taxable income to our shareholders and meet certain income sources and investment restriction requirements. In addition, REITs are subject to a number of organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate tax rates.

We are subject to the Texas Margin Tax, which is computed by applying the applicable tax rate (0.75% for us) to the profit margin, which generally will be determined for us as total revenue less a 30% standard deduction. Although the Texas Margin Tax is not an income tax, FASB ASC 740, "*Income Taxes*" applies to the Texas Margin Tax. For the three months ended September 30, 2023 March 31, 2024 and 2022 2023, we recognized approximately $ 95,000 120,000 and $ 114,000, 119,000, respectively, in margin tax provision and for the nine months ended September 30, 2023 and 2022, we recognized approximately $ 339,000 and $ 315,000, respectively. provision.

11. EQUITY

Common Shares

Under our declaration of trust, as amended, we have authority to issue up to 400,000,000 common shares of beneficial interest, $0.001 par value per share, and up to 50,000,000 preferred shares of beneficial interest, $0.001 par value per share.

Equity Offerings

On May 20, 2022, our universal shelf registration statement on Form S-3 was declared effective by the SEC, which registers the issuance and sale by us of up to $500 million in securities from time to time, including common shares, preferred shares, debt securities, depositary shares and subscription rights.

On September 9, 2022, we entered into eleven equity distribution agreements for an at-the-market equity distribution program (the “2022 equity distribution agreements”) providing for the issuance and sale of up to an aggregate of $100 million of the Company’s common shares pursuant to our Registration Statement on Form S-3 (File No. 333-264881). Actual sales will depend on a variety of factors determined by us from time to time, including (among others) market conditions, the trading price of our common shares, capital needs and our determinations of the appropriate sources of funding for us, and were made in transactions that will be deemed to be “at-the-market” offerings as defined in Rule 415 under the Securities Act. We have no obligation to sell any of our common shares and can at any time suspend offers under the 2022 equity distribution agreements or terminate the 2022 equity distribution agreements.

We have in the past, and expect to in the future, enter into at-the-market equity distribution programs providing for the issuance and sale of common shares. Actual sales will depend on a variety of factors determined by us from time to time, including (among others) market conditions, the trading price of our common shares, capital needs and our determinations of the appropriate sources of funding for us, and were made in transactions that will be deemed to be “at-the-market” offerings as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"). For the three and ninemonths ended September 30, 2023 March 31, 2024 and 2022, 2023, we did not sell shares under the equity distribution agreements.

Operating Partnership Units

Substantially all of our business is conducted through our Operating Partnership. We are the sole general partner of the Operating Partnership. As of September 30, 2023 March 31, 2024, we owned a 98.6% 98.7% interest in the Operating Partnership.

Limited partners in the Operating Partnership holding OP units have the right to redeem their OP units for cash or, at our option, common shares at a ratio of one OP unit for one common share. Distributions to OP unit holders are paid at the same rate per unit as distributions per share to holders of Whitestone common shares. As of September 30, 2023 March 31, 2024 and December 31, 2022 2023, there were 50,156,922 50,487,256 and 49,996,356 50,182,938 OP units outstanding, respectively. We owned 49,463,865 49,838,056 and 49,301,876 49,489,991 OP units as of September 30, 2023 March 31, 2024 and December 31, 2022 2023, respectively. The balance of the OP units is owned by third parties, including certain members of our Board of Trustees. Our weighted average share ownership in the Operating Partnership was approximately 98.6% 98.7% and 98.5% 98.6% for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and approximately 98.6% and 98.5% for the nine months ended September 30, 2023and 2022, respectively. During the three months ended September 30, 2023 March 31, 2024 and 2022 2023, 43,747 548 and 74,872 11 OP units, respectively, were redeemed for an equal number of common shares, and during the nine months ended September 30, 2023 and 2022, 1,423 and 75,825 OP units, respectively, were redeemed for an equal number of common shares.

Distributions

The following table summarizes the cash distributions paid or payable to holders of common shares and to holders of noncontrolling OP units during each quarter of 2022 2023 and the nine three months ended September 30, 2023 March 31, 2024 (in thousands, except per share/per OP unit data):

	Common Shares		**Noncontrolling OP Unit Holders**		**Total**	**Common Shares**		**Noncontrolling OP Unit Holders**		**Total**
Quarter Paid	**Distributions Per Common Share**	**Amount Paid**	**Distributions Per OP Unit**	**Amount Paid**	**Amount Paid**	**Distributions Per Common Share**	**Amount Paid**	**Distributions Per OP Unit**	**Amount Paid**	**Amount Paid**
2023										

Third Quarter	$ 0.1200	$ 5,928	$ 0.1200	$ 83	$ 6,011					
Second Quarter	0.1200	5,913	0.1200	83	5,996					
2024										
First Quarter	0.1200	5,913	0.1200	83	5,996	$ 0.1200	$ 5,969	$ 0.1200	$ 80	$ 6,049
Total	$ 0.3600	$ 17,754	$ 0.3600	$ 249	$ 18,003	$ 0.1200	$ 5,969	$ 0.1200	$ 80	$ 6,049
2022										
2023										
Fourth Quarter	$ 0.1200	$ 5,909	$ 0.1200	$ 83	$ 5,992	$ 0.1200	$ 5,930	$ 0.1200	$ 83	$ 6,013
Third Quarter	0.1200	5,901	0.1200	88	5,989	0.1200	5,928	0.1200	83	6,011
Second Quarter	0.1200	5,880	0.1200	92	5,972	0.1200	5,913	0.1200	83	5,996
First Quarter	0.1075	5,268	0.1075	83	5,351	0.1200	5,913	0.1200	83	5,996
Total	$ 0.4675	$ 22,958	$ 0.4675	$ 346	$ 23,304	$ 0.4800	$ 23,684	$ 0.4800	$ 332	$ 24,016

12. INCENTIVE SHARE PLAN

The Company's 2008 Long-Term Equity Incentive Plan (as amended, the "2008 Plan") expired in July 2018. At the Company's annual meeting of shareholders on May 11, 2017, our shareholders voted to approve the 2018 Long-Term Equity Incentive Ownership Plan (the "2018 Plan"). The 2018 Plan provides for the issuance of up to 3,433,831 common shares and OP units pursuant to awards under the 2018 Plan. The 2018 Plan became effective on July 30, 2018, which is the day after the 2008 Plan expired.

The Compensation Committee administered the 2008 Plan and administers the 2018 Plan except, in each case, with respect to awards to non-employee trustees, for which the 2008 Plan was and the 2018 Plan is administered by the Board of Trustees. The Compensation Committee is authorized to grant share options, including both incentive share options and non-qualified share options, as well as share appreciation rights, either with or without a related option. The Compensation Committee is also authorized to grant restricted common shares, restricted common share units, performance awards and other share-based awards. On September 6, 2017, the Compensation Committee approved the grant of an aggregate of 965,000 performance-based restricted common share units under the 2008 Plan which only vest immediately prior to the consummation of a Change in Control (as defined in the 2008 Plan) that occurs on or before September 30, 2024 (the "CIC Units") to certain of our employees. Continued employment is required through the vesting date. If a Change in Control does not occur on or before September 30, 2024, the CIC Units shall be immediately forfeited. The Company considers a Change in Control on or before September 30, 2024 to be improbable, and no expense has been recognized for the CIC Units. If a Change in Control occurs, any outstanding CIC Units would be expensed immediately on the date of the Change in Control using the grant date fair value. The grant date fair value for each CIC Unit of $13.05 was determined based on the Company's closing share price on the grant date. As of September 30, 2023 March 31, 2024, 455,000 CIC Units remained outstanding.

On July 31, 2020, the Compensation Committee approved the grant of an aggregate of 545,000 Total Shareholder Return Units ("TSR Units") and 530,000 time-based restricted common share units under the 2018 Plan to certain of our employees. Vesting of the TSR Units is contingent upon achieving Total Shareholder Return relative to the peer group defined in the TSR Unit award agreements over a three-year performance period. At the end of the performance period, the number of common shares awarded for each vested TSR Unit will vary from 0% to 200% depending on the Company's TSR Peer Group Ranking. Continued employment is required through the vesting date. The grant date fair value for each TSR Unit of $5.55 was determined using the Monte Carlo simulation method and is being recognized as share-based compensation expense ratably from the July 31, 2020 grant date to the end of the performance period, December 31, 2022. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. Expected volatilities utilized in the model were estimated using a historical period consistent with the performance period of approximately three years. The risk-free interest rate was based on the United States Treasury rate for a term commensurate with the expected life of the grant. On December 31, 2022, the remaining unvested 273,500 TSR Units that were granted on July 31, 2020 vested at 0% attainment into 0 common shares. The time-based restricted common share units have a grant date fair value of $5.83 and vest annually in three equal installments.

On June 30, 2021, the Compensation Committee approved the grant of an aggregate of 433,200 TSR Units and 433,200 time-based restricted common share units under the 2018 Plan to certain of our employees. Vesting of the TSR Units is contingent upon achieving Total Shareholder Return relative to the peer group defined in the TSR Unit award agreements over a three-year performance period. At the end of the performance period, the number of common shares awarded for each vested TSR Unit will vary from 0% to 200% depending on the Company's TSR Peer Group Ranking. Continued employment is required through the vesting date. The grant date fair value for each TSR Unit of $4.17 was determined using the Monte Carlo simulation method and is being recognized as share-based compensation expense ratably from the June 30, 2021 grant date to the end of the performance period, December 31, 2023. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. Expected volatilities utilized in the model were estimated using a historical period consistent with the performance period of approximately three years. The risk-free interest rate was based on the United States Treasury rate for a term commensurate with the expected life of the grant. The time-based restricted common share units have a grant date fair value of $7.51 and vest annually in three equal installments. The 433,200 TSR Units granted on June 30, 2021 include 111,465 TSR Units that will be converted into the right to receive cash in the amount of the fair market value of the common shares to the extent that common shares are not available for issuance under the 2018 Plan. On January 1, 2024, the remaining unvested 210,400 TSR units that were granted on June 30, 2021 vested at 200% achievement into 420,800 common shares.

On September 30, 2021, the Compensation Committee approved the grant of an aggregate of 5,500 time-based restricted common share units under the 2018 Plan to certain of our employees. The time-based common share units had a grant date fair value of $9.06 each and vest annually in three equal installments.

On March 28, 2022, the Compensation Committee approved the grant of an aggregate of 162,556 TSR Units and 162,556 time-based restricted common share units under the 2018 Plan to certain of our employees. Vesting of the TSR Units is contingent upon achieving Total Shareholder Return relative to the peer group defined in the TSR Unit award agreements over a three-year performance period. At the end of the performance period, the number of common shares awarded for each vested TSR Unit will vary from 0% to 200% depending on the Company's TSR Peer Group Ranking. Continued employment is required through the vesting date. The grant date fair value for each TSR Unit of $13.74 was determined using the Monte Carlo simulation method and is being recognized as share-based compensation expense ratably from the June 30, 2022 grant date to the end of the performance period, December 31, 2024. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. Expected volatilities utilized in the model were estimated using a historical period consistent with the performance period of approximately three years. The risk-free interest rate was based on the United States Treasury rate for a term commensurate with the expected life of the grant. The time-based restricted common share units have a grant date fair value of $9.94 and vest annually in three equal installments.

On March 7, 2023, the Compensation Committee approved the grant of an aggregate of 228,025 TSR Units and 228,025 time-based restricted common share units under the 2018 Plan to certain of our employees. Vesting of the TSR Units is contingent upon achieving Total Shareholder Return relative to the peer group defined in the TSR Unit award agreements over a three-year performance period. At the end of the performance period, the number of common shares awarded for each vested TSR Unit will vary from 0% to 200% depending on the Company's TSR Peer Group Ranking. Continued employment is required through the vesting date. The grant date fair value for each TSR Unit of $9.55 was determined using the Monte Carlo simulation method and is being recognized as share-based compensation expense ratably from the June 30, 2023 grant date to the end of the performance period, December 31, 2025. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. Expected volatilities utilized in the model were estimated using a historical period consistent with the performance period of approximately three years. The risk-free interest rate was based on the United States Treasury rate for a term commensurate with the expected life of the grant. The time-based restricted common share units have a grant date fair value of $8.72 and vest annually in three equal installments.

A summary of the share-based incentive plan activity as of and for the nine three months ended September 30, 2023 March 31, 2024 is as follows:

	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2023	1,220,945	$ 10.03		
Non-vested at January 1, 2024			1,452,433	$ 10.12
Granted	456,050	9.14	—	—
Vested	(207,466)	7.43	(210,400)	4.17
Forfeited	(17,096)	10.01	—	—
Non-vested at September 30, 2023	1,452,433	10.12		
Available for grant at September 30, 2023	1,133,654			
Non-vested at March 31, 2024			1,242,033	11.13
Available for grant at March 31, 2024			1,227,932	

A summary of our non-vested and vested shares activity for the nine three months ended September 30, 2023 March 31, 2024 and years ended December 31, 2022 2023 and 2021 2022 is presented below:

	Shares Granted		Shares Vested	
	Non-Vested Shares Issued	Weighted Average Grant-Date Fair Value	Vested Shares	Total Vest-Date Fair Value
				(in thousands)
Nine Months Ended September 30, 2023	456,050	$ 9.14	(207,466)	$ 1,542
Year Ended December 31, 2022	360,334	$ 11.61	(519,003)	$ 3,442
Year Ended December 31, 2021	904,215	$ 5.99	(1,024,808)	$ 9,757

	Shares Granted		Shares Vested	
	Non-Vested Shares Issued	Weighted Average Grant-Date Fair Value	Vested Shares	Total Vest-Date Fair Value
				(in thousands)
Three Months Ended March 31, 2024	—	$ —	(210,400)	$ 877
Year Ended December 31, 2023	480,184	$ 9.30	(231,600)	$ 1,841
Year Ended December 31, 2022	360,334	$ 11.61	(519,003)	$ 3,442

Total compensation recognized in earnings for share-based payments was $1,083,000 $936,000 and $943,000 $829,000 for the three months ended September 30, 2023 March 31, 2024 and 2022 2023, respectively, and $2,712,000 and $455,000 for the nine months ended September 30, 2023 and 2022, respectively.

Based on our current financial projections, we expect approximately 100% of the unvested awards, exclusive of 455,000 CIC Units, to vest over the next 33 27 months. As of September 30, 2023 March 31, 2024, there was approximately $3.1 $2.2 million in unrecognized compensation cost related to outstanding non-vested TSR Units, which are expected to vest over a period of 27 21 months, and approximately $3.1 $2.3 million in unrecognized compensation cost related to outstanding non-vested time-based shares, which are expected to be recognized over a period of approximately 33 27 months beginning on October April 1, 2023. 2024.

We expect to record approximately $3.7 $3.3 million in non-cash share-based compensation expense in 2023 2024 and $5.3 $2.1 million subsequent to 2023. 2024. The unrecognized share-based compensation cost is expected to vest over a weighted average period of 2520 months. The dilutive impact of the performance-based shares will be included in the denominator of the earnings per share calculation beginning in the period that the performance conditions are expected to be met. The dilutive impact of the TSR Units is based on the Company's TSR Peer Group Ranking as of the reporting date and weighted according to the number of days outstanding in the period. As of September 30, 2023 March 31, 2024, the TSR Peer Group Ranking called for attainment of 100%, 150% 200%, and 100% 200% for the shares issued in2021, 2022, and 2023, respectively. The dilutive impact of the CIC Units is based on the probability of a Change in Control. Because the Company considers a Change in Control on or before September 30, 2024 to be improbable, no CIC Units are included in the Company's dilutive shares.

13. GRANTS TO TRUSTEES

On December 19, 2022, 20, 2023, five independent trustees and one trustee emeritus were granted a total of 35,222 24,134 common shares, which vest immediately and are prorated based on date appointed. The 35,222 24,134 common shares granted to our trustees had a grant fair value of $9.52 $12.44 per share. The fair value of the shares granted during the year ended December 31, 2022 2023 was determined using quoted prices available on the date of grant.

14. SEGMENT INFORMATION

Historically, our management has not differentiated results of operations by property type or location and, therefore, does not present segment information.

15. REAL ESTATE

Property Acquisitions.

On February 20, 2024, we acquired Garden Oaks Shopping Center, a property that meets our Community Centered Property® strategy, for $27.2 million in cash and net prorations. Garden Oaks Shopping Center, a 106,858 square foot property, was 95.8% leased at the time of purchase and is located in Houston, Texas.

On June 12, 2023, we acquired Arcadia Towne Center, a property that meets our Community Centered Property® strategy, for $25.5 million in cash and net prorations. Arcadia Towne Center, a 69,503 square foot property, was 100% leased at the time of purchase and is located in Phoenix, Arizona.

Property dispositions.

On December 21, 2022, March 27, 2024, we acquired Lake Woodlands Crossing, a property that meets our Community Centered Property® strategy, for $22.5 million in cash and net prorations. Lake Woodlands Crossing, a 60,246 square foot property, was 89.3% leased completed the sale of Mercado at the time of purchase and is Scottsdale Ranch, located in The Woodlands, Texas. Phoenix, Arizona, for $26.5 million. We recorded a gain on sale of $6.6 million. We have not included Mercado at Scottsdale Ranch in discontinued operations as it did not meet the definition of discontinued operations.

On December 2, 2022 20, 2023, we acquired Dana Park Pad, a property that meets our Community Centered Property® strategy, for $4.9 million in cash and net prorations. Dana Park Pad, a 12,000 square foot property, was 100% leased at completed the time sale of purchase and is Spoerlein Commons, located in Buffalo Grove, Illinois, for $7.4 million. We recorded a loss on sale of $0.7 million. We have not included Spoerlein in discontinued operations as it did not meet the Mesa submarket definition of Phoenix, Arizona.

Property dispositions. discontinued operations.

On June 30, 2023, we completed the sale of Westchase, located in Houston, Texas, for $7.8 million. We recorded a gain on sale of $4.6 million. We have not included Westchase in discontinued operations as it did not meet the definition of discontinued operations.

On June 30, 2023, we completed the sale of Sunridge, located in Houston, Texas, for $6.7 million. We recorded a gain on sale of $5.0 million. We have not included Sunridge in discontinued operations as it did not meet the definition of discontinued operations.

16. RELATED PARTY TRANSACTIONS

The Contribution. Prior to his employment termination on January 18, 2022, Mr. James C. Mastandrea, the former Chairman and Chief Executive Officer of Whitestone REIT, also served as the Chairman and Chief Executive Officer of Pillarstone REIT and beneficially owns approximately 66.7% of the outstanding equity in Pillarstone REIT (when calculated in accordance with Rule 13d-3(d)(1) under the Exchange Act of 1934, as amended (the “Exchange Act”)). He resigned as a member of the Board of Whitestone REIT on April 18, 2022. Prior to his employment termination on February 9, 2022, Mr. John J. Dee, the Company’s former Chief Operating Officer and Corporate Secretary, also served as the Senior Vice President and Chief Financial Officer of Pillarstone REIT and beneficially owns approximately 20.0% of the outstanding equity in Pillarstone REIT (when calculated in accordance with Rule 13d-3(d)(1) under the Exchange Act). In addition, Mr. Paul T. Lambert, a Trustee of the Company, until expiration of his term on May 12, 2023, also served as a Trustee of Pillarstone REIT.

Pillarstone OP. In connection with the Contribution, Whitestone TRS, Inc., a subsidiary of the Company (“Whitestone TRS”), entered into a management agreement with the entities that own the contributed Pillarstone Properties (collectively, the “Management Agreements”). Pursuant to the Management Agreements, Whitestone TRS agreed to provide certain property management, leasing and day-to-day advisory and administrative services. The Management Agreements were terminated on August 18, 2022.

The Company accounts previously accounted for its investment in Pillarstone OP under using the equity method.

During However, subsequent to January 25, 2024, the ordinary course Company ceased utilizing the equity method following the exercise of business, we had transactions with its notice of redemption for the majority of its investment in Pillarstone OP that include, but are not limited to, rental income, interest expense, general and administrative costs, commissions, management and asset management fees, and property expenses. The management agreement was terminated on August 18, 2022.OP.

The following table presents the revenue and expenses with Pillarstone OP included in our consolidated statements of operations and comprehensive income (loss) for the three and ninemonths ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Location of Revenue (Expense)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Location of Revenue (Expense)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Rent	Operating and maintenance	$ —	$ (105)	$ (15)	$ (471)	Operating and maintenance	$ —	$ (15)
Property management fee income	Management, transaction, and other fees	$ —	$ 75	$ —	$ 359	Management, transaction, and other fees	$ —	$ —

17. COMMITMENTS AND CONTINGENCIES

Guarantor for Pillarstone OP's loan

The Company has a limited guarantee on Pillarstone OP's OP's loan for its Uptown Tower property located in Dallas, Texas, with an aggregate principal amount of $14.4 million as of September 30, 2023. The guarantee is a so-called "bad boy" carve-out guarantee, which is generally only applicable if and when the borrower engages in acts such as fraud, prohibited transfers, breaches of material representations, environmental matters, and bankruptcy. The debt matured on October 4, 2023, and is currently in default, as Pillarstone OP failed to refinance the loan. The loan is also secured by the Uptown Tower property. While the Company has not recorded a contingent liability, there remains the possibility that the acts of Pillarstone OP could result in liability to us under the guarantee. On October 24, 2023, the lender Lender provided notice of a planned foreclosure sale on December 5, 2023. The lender is claiming Lender also claimed that an additional sum of $4.6 million is $4.6 million was due which includes included default interest of approximately $6.3 million and net credits from escrowed funds and other charges of approximately $1.7 million.

On December 1, 2023, the Company reached an agreement with the Lender that would avoid foreclosure and secure the release of the lien and discharge of the guarantee, and the Company negotiated and satisfied a payoff as of December 4, 2023, in the amount of $13,632,764 (the "DPO Amount"). The DPO Amount included a compromise settlement of approximately $1,688,000 for the disputed default interest charges are and other fees. The Company's share of it was recorded in the 4th quarter of fiscal year 2023 in the financial statement line equity (deficit) in earnings of real estate partnership. Per the agreement, this payment would satisfy the Loan. The Company wired the DPO Amount to Lender on December 4, 2023, with accompanying releases as required by Lender, fully satisfying the agreement.

On December 1, 2023, Pillarstone OP authorized and filed the Chapter 11 bankruptcy of its special purpose entity borrower that owns Uptown Tower, in the United States Bankruptcy Court for the Northern District of Texas. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. On February 9, 2024, the Lender filed suit in New York County against the guarantor Whitestone OP and the Company for alleged amounts due under the guarantee. On March 4, 2024, Pillarstone REIT authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and the remainder of its special purpose entities in the United States Bankruptcy Court for the Northern District of Texas (the "Pillarstone Bankruptcies"). The Company paid the DPO amount and will be entitled to assert a subrogation claim against Pillarstone OP.

On April 24, 2024, the lender and Pillarstone OP filed a motion with the bankruptcy court seeking approval to settle the dispute and we believe that dismiss their mutual lawsuits including the value of Uptown Tower exceeds the total amount claimed lawsuit by the lender. lender against the Company as Guarantor of the loan. On or before June 10, 2024, Pillarstone OP agreed to pay to the lender the sum of $1,123,950.24 plus all attorneys' fees and costs (not to exceed $20,000.00) incurred by the lender from April 10, 2024 through the date of receipt of such payment. Upon timely receipt of the cash payment from Pillarstone OP, the lender shall retain and apply the $13,632,764.25 tendered to it by Whitestone REIT Operating Partnership, L.P. on or about December 4, 2023.

Former COO Litigation

On May 9, 2023, the Company's former COO, John Dee, filed suit against the Company in the District Court of Harris County, Texas. Claimant purports Texas, purporting to assert claims for breach of his change-in-control agreement arising from the Company's termination of its former CEO James Mastandrea for cause, and is seeking monetary relief in excess of $1,000,000$1,000,000 in damages and equitable relief. The Company denies the claims, has substantial legal and factual defenses against the claims, and intends to vigorously defend against the claims. The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of this action.

Litigation between the Company and Pillarstone REIT

On September 16, 2022, Pillarstone Capital REIT and Pillarstone Capital REIT Operating Partnership, L.P. filed suit against the Company and certain of its subsidiaries (Whitestone TRS, Inc. and Whitestone REIT Operating Partnership, L.P.) along with certain of its executives (Peter Tropoli, Christine Mastandrea, and David Holeman) in the

District Court of Harris County, Texas, alleging claims relating to the limited partnership agreement between Pillarstone Capital REIT and Whitestone REIT Operating Partnership, as well as the termination of Management Agreements between Pillarstone Capital REIT Operating Partnership, L.P. and Whitestone TRS, Inc. On November 25, 2022, the claims against Peter Tropoli, Christine Mastandrea and David Holeman were dismissed. The claimants seek monetary relief in excess of $1,000,000 in damages and equitable relief. However, the Company denies the claims, has substantial legal and factual defenses against the claims, and intends to vigorously defend against the claims. The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of this action.

Former CEO Litigation

On February 23, 2022, the Company's former CEO, James Mastandrea, filed suit against the Company and certain of its trustees (Nandita Berry, Jeff Jones, Jack Mahaffey, and David Taylor) and officers (David Holeman, Christine Mastandrea, Peter Tropoli) in the District Court of Harris County, Texas, alleging $25 million in damages and equitable relief claims relating to the termination of his employment. Claimant purports to assert claims for employment, including breach of his employment contract, negligence, tortious interference with contract, civil conspiracy, and declaratory judgment. On September 12, 2022, the claim for breach of fiduciary duty was dismissed and a claim for negligence was added (as to the trustee defendants). The claimant seeks a maximum

On December 6, 2023, the 215th District Court of $25 million in damages and equitable relief. The Company denies the claims and filed a motion for Harris County granted summary judgement as to and dismissed all claims that was heard against the Company related to the termination of Mr. Mastandrea. The court also dismissed all claims against certain of the Company's trustees and officers. The dismissal is subject to appeal. A trial to adjudicate the Company's counter-claims against Mr. Mastandrea for breach of fiduciary duty, theft, and conversion of company property is scheduled to begin on September 21, 2023. August 12, 2024.The Court has not yet ruled on that motion but the Company has substantial legal and factual defenses against the claims and intends to continue to vigorously defend against the claims. The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of this action.

Pillarstone Rights Plan Plan.

On December 26, 2021, the Board of Trustees of Pillarstone REIT adopted a new shareholder rights agreement (the "Pillarstone Rights Agreement"), pursuant to which each holder of Pillarstone REIT common stock received one preferred share purchase right (a "Right") per common share held as of the applicable record date. Each Right entitles the registered holder to purchase from Pillarstone REIT one one-thousandth (a "Unit") of a series D preferred share of Pillarstone at a purchase price ("Purchase Price") of $7.00 per Unit, subject to adjustment. The Rights are exercisable upon the occurrence of certain events as described in the Pillarstone Rights Agreement, including the acquisition by certain holders of 5% or more of the common shares of Pillarstone REIT (an "Acquiring Person"). Upon the acquisition of Pillarstone REIT common shares by an Acquiring Person, each holder of a Right (other than an Acquiring Person), will have the right to receive upon exercise a number of Pillarstone REIT common shares having a market value of two times the Purchase Price.

As set forth in the Amended and Restated Limited Partnership Agreement of Pillarstone OP, dated as of December 8, 2016 (the "Pillarstone Partnership Agreement"), we have the contractual right to have our limited partnership interests in Pillarstone redeemed at our discretion. However, upon receipt of a redemption notice, Pillarstone OP has the option to pay the applicable redemption price in cash, based on the market value of Pillarstone REIT common shares, or in Pillarstone REIT common shares. To the extent we seek to have our partnership units in Pillarstone OP redeemed and Pillarstone OP elects to pay the applicable redemption price in Pillarstone REIT common shares (and such shares represent 5% or more of the outstanding common shares of Pillarstone REIT), the Rights could become exercisable. To the extent the Rights are exercised as a result of our Pillarstone OP units being redeemed for Pillarstone REIT common shares, our ownership interest in Pillarstone REIT would be significantly diluted, which could adversely impact the value of our investment in Pillarstone OP.

Because Pillarstone REIT seeks sought to use the Pillarstone Rights Agreement to prevent Whitestone OP from exercising its contractual Redemption Right, on July 12, 2022, Whitestone OP filed suit against Pillarstone REIT in the Court of Chancery of the State of Delaware challenging the Pillarstone Rights Agreement due to Pillarstone REIT's alleged (i) breach of the Pillarstone Partnership Agreement, (ii) breach of its fiduciary duty as general partner of Pillarstone OP to Whitestone OP, (iii) and breach of the implied covenant of good faith and fair dealing under the Pillarstone Partnership Agreement. The lawsuit seeks rescission and voiding of the Pillarstone Rights Agreement; a declaration that the Pillarstone Rights Agreement is unenforceable, invalid, and of no force and effect; an order permanently enjoining enforcement of the Pillarstone Rights Agreement; an award of monetary damages; and broad restrictions on Pillarstone REIT's ability to conduct its business, including buying properties, enforcing the Rights Agreement, incurring expenses, or engaging in transactions.

On September 8, 2022, Whitestone OP's Motion to Preserve the Status Quo was granted by the Court, limiting Pillarstone OP from engaging in any acts outside the ordinary course of business and otherwise imposing restrictions on Pillarstone OP to ensure that Whitestone's right of redemption is not impaired while the underlying dispute is being considered by the Court.

Trial was On January 25, 2024, the Delaware Court of Chancery: held on July 17-18,2023,that Pillarstone breached the implied covenant of good faith and the post-trial briefing was held on October 18, 2023. Thereafter, the Court will issue a decision on Whitestone OP's outstanding claims.

Whitestone OP is asking the Court to declare fair dealing when it adopted the Pillarstone Rights Agreement that thwarted Whitestone OP from exercising the unfettered contractual redemption right it obtained in connection with its investment in the partnership; and the Court held that the Rights Plan was unenforceable as to the limited partner and to permit allowed Whitestone OP to tender exercise its redemption right; allowed Pillarstone to determine the current value of the Partnership's assets; and, as necessary, later enter a Notice of Redemption. In addition (or alternatively), Whitestone OP seeks an award of monetary damages of at least $51,200,600 based on judgment against Pillarstone for the difference between the amount that Pillarstone's misconduct precluded Whitestone OP from receiving would have received in or around December 2021 and the current value.

On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP.

On March 4, 2024, Pillarstone REIT authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and the remainder of its special purpose entities in the United States Bankruptcy Court for the Northern District of Texas.

As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as well as an award required by the partnership agreement. We intend to pursue collection of pre- amounts due from Pillarstone OP through all means necessary and post-judgment interest at while we do not know the statutory rate. ultimate amount to be collected, we believe the amount will be in excess of the current carrying value of our equity investment in Pillarstone OP.

We are subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

18. SUBSEQUENT EVENTS

On None. April 5, 2024, we acquired Scottsdale Commons for $22.2 million in cash and net prorations. Scottsdale Commons, a 68,182 square foot property, was 96.6% leased at the time of purchase and is located in Scottsdale, Arizona.

On April 1, 2024, we acquired Anderson Arbor Pad for $0.9 million in cash and net prorations. Anderson Arbor Pad is located in Austin, Texas.

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 in conjunction with our unaudited consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q (this "Report"), and the consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. For more detailed information regarding the basis of presentation for the following information, you should read the notes to the unaudited consolidated financial statements included in this Report.

<u>Forward-Looking Statement</u>

This Report contains forward-looking statements within the meaning of the federal securities laws, including discussion and analysis of our financial condition, pending acquisitions and the impact of such acquisitions on our financial condition and results of operations, anticipated capital expenditures required to complete projects, amounts of anticipated cash distributions to our shareholders in the future and other matters. These forward-looking statements are not historical facts but are the intent, belief or current expectations of our management based on its knowledge and understanding of our business and industry. Forward-looking statements are typically identified by the use of terms such as "may," "will," "should," "potential," "predicts," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" or the negative of such terms and variations of these words and similar expressions, although not all forward-looking statements include these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. You are cautioned not to place undue reliance on forward-looking statements, which reflect our management's view only as of the date of this Report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

Factors that could cause actual results to differ materially from any forward-looking statements made in this Report include:

- the imposition of federal income taxes if we fail to qualify as a real estate investment trust ("REIT") in any taxable year or forego an opportunity to ensure REIT status;
- uncertainties related to the national economy and the real estate industry, both in general and in our specific markets;
- legislative or regulatory changes, including changes to laws governing REITs;
- adverse economic or real estate developments or conditions in Texas or Arizona, Houston and Phoenix in particular, including the potential impact of public health emergencies such as COVID-19 on our tenants' ability to pay their rent, which could result in bad debt allowances or straight-line rent reserve adjustments;
- our current geographic concentration in the Houston and Phoenix metropolitan area makes us susceptible to local economic downturns;
- increases in interest rates, including as a result of inflation, which may increase our operating costs or general and administrative expenses;
- natural disasters, such as floods and hurricanes, which may increase as a result of climate change may adversely affect our returns; returns and adversely impact our existing and prospective tenants;
- increasing focus by stakeholders on environmental, social and governance matters;
- financial institution disruptions;
- availability and terms of capital and financing, both to fund our operations and to refinance our indebtedness as it matures;
- decreases in rental rates or increases in vacancy rates;
- harm to our reputation, ability to do business and results of operations as a result of improper conduct by our employees, agents or business partners;
- litigation risks;
- lease-up risks, including leasing risks arising from exclusivity and consent provisions in leases with significant tenants;
- our inability to renew tenant leases or obtain new tenant leases upon the expiration of existing leases;
- risks related to generative artificial intelligence tools and language models, along with the potential interpretations and conclusions they might make regarding our business and prospects, particularly concerning the spread of misinformation;
- our inability to generate sufficient cash flows due to market conditions, competition, uninsured losses, changes in tax or other applicable laws;
- geopolitical conflicts, such as the ongoing conflict between Russia and Ukraine, and the conflict in the Gaza Strip; Strip and unrest in the Middle East;
- the need to fund tenant improvements or other capital expenditures out of operating cash flow;
- the risk that we are unable to raise capital for working capital, acquisitions or other uses on attractive terms or at all; and
- the extent to which ultimate amount we will collect in connection with the redemption of our estimates regarding equity investment in Pillarstone OP's financial condition and results of operations differ from actual results. Capital REIT Operating Partnership LP ("Pillarstone" or "Pillarstone OP.")

The forward-looking statements should be read in light of these factors and the factors identified in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as previously filed with the Securities and Exchange Commission ("SEC") and of this Report below. .

Overview

We are a fully-integrated real estate company that owns and operates commercial properties in culturally diverse markets in major metropolitan areas. Founded in 1998, we are internally managed with a portfolio of commercial properties in Texas Arizona and Illinois. Arizona.

In October 2006, we adopted a strategic plan to acquire, redevelop, own and operate Community Centered Properties®. We define Community Centered Properties® as visibly located properties in established or developing culturally diverse neighborhoods in our target markets. We market, lease and manage our centers to match tenants with the shared needs of the surrounding neighborhood. Those needs may include specialty retail, grocery, restaurants and medical, educational and financial services. Our goal is for each property to become a Whitestone-branded retail community that serves a neighboring five-mile radius around our property. We employ and develop a diverse group of associates who understand the needs of our multi-cultural communities and tenants.

We serve as the general partner of Whitestone REIT Operating Partnership, L.P. (the "Operating Partnership"), which was formed on December 31, 1998 as a Delaware limited partnership. We currently conduct substantially all of our operations and activities through the Operating Partnership. As the general partner of the Operating Partnership, we have the exclusive power to manage and conduct the business of the Operating Partnership, subject to certain customary exceptions.

As of September 30, 2023 March 31, 2024, we wholly owned 56 55 commercial properties consisting of:

Consolidated Operating Portfolio

- 51 50 wholly owned properties that meet our Community Centered Properties® strategy containing approximately 5.0 million square feet of gross leasable area ("GLA") and having a total carrying amount (net of accumulated depreciation) of $980.7 $976.5 million; and

Redevelopment, New Acquisitions Portfolio

- five parcels of land held for future development that meet our Community Centered Properties® strategy having a total carrying value of $21.2 million. $21.6 million.

Acquired properties are categorized in the new acquisitions portfolio until the earlier of 90% occupancy or 18 months of ownership.

As of September 30, 2023 March 31, 2024, we had an aggregate of 1,455 1,431 tenants. We have a diversified tenant base with our largest tenant comprising only 2.2% 2.1% of our annualized rental revenues for the nine three months ended September 30, 2023 March 31, 2024. Lease terms for our properties range from less than one year for smaller tenants to over 15 years for larger tenants. Our leases include minimum monthly lease payments and generally provide for tenant reimbursements for payment of taxes, insurance and maintenance. We completed 223 70 new and renewal leases during the nine three months ended September 30, 2023 March 31, 2024, totaling 717,777 192,349 square feet and approximately $68.6 $18.5 million in total lease value. This compares to 261 51 new and renewal leases totaling 703,749 145,984 square feet and approximately $81.1 $15.2 million in total lease value during the same period in 2022. 2023.

We employed 78 80 full-time employees as of September 30, 2023. March 31, 2024, including one on leave. As an internally managed REIT, we bear our own expenses of operations, including the salaries, benefits and other compensation of our employees, office expenses, legal, accounting, and investor relations expenses and other overhead costs.

Real Estate Partnership

As of September 30, 2023 March 31, 2024, we, through our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP owned a majority interest in eight properties that as required by the partnership agreement. We intend to pursue collection of amounts due from Pillarstone OP through all means necessary and while we do not meet our Community Centered Property® strategy containing approximately 926,798 square feet of GLA (the "Pillarstone Properties"). We own 81.4% know the ultimate amount to be collected, we believe the amount will be in excess of the total outstanding units current carrying value of our equity investment in Pillarstone OP, which we account for using the equity method. OP.

Inflation

We anticipate that the majority of our leases will continue to be triple-net leases or otherwise provide that tenants pay for increases in operating expenses and will contain provisions that we believe will mitigate the effect of inflation. In addition, many of our leases are for terms of less than five years, which allows us to adjust rental rates to reflect inflation and other changing market conditions when the leases expire. Consequently, increases due to inflation, as well as ad valorem tax rate increases, generally do not have a significant adverse effect upon our operating results.

Rising Interest Rates

As of September 30, 2023 March 31, 2024, $87.5 $119.0 million, or approximately 14% 18% of our outstanding debt, was subject to floating interest rates of SOFR plus 1.60% and a 10 basis point credit spread adjustment and not currently subject to a hedge. The impact of a 1% increase or decrease in interest rates on our non-hedged variable rate debt would result in a decrease or increase of annual net income of approximately $0.9 $1.2 million, respectively.

How We Derive Our Revenue

Substantially all of our revenue is derived from rents received from leases at our properties. We had total revenues of approximately $37.1 $37.2 million and $35.4 $35.9 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $109.4 million and $104.5 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

Rental Income

We expect our rental income to increase year-over-year due to the addition of properties and rent increases on renewal leases. The amount of net rental income generated by our properties depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space, newly acquired properties with vacant space, and space available from unscheduled lease terminations. The amount of rental income we generate also depends on our ability to maintain or increase rental rates in our submarkets. Included in our adjustments to rental revenue for the conversion of17 of19 tenants to cash basis revenue was an increase a decrease to rental revenue for straight-line rent reserve adjustment of $0.03 $0.02 million and a decrease to rental revenue for bad debt adjustment of $0.2 million for the three months ending September 30, 2023, and a decrease to rental revenue for straight-line rent reserve of $0.1 million and a decrease to rental revenue for bad debt of $0.5 million for the nine months ended September 30, 2023 March 31, 2024.

Scheduled Lease Expirations

We tend to lease space to smaller businesses that desire shorter term leases. As of September 30, 2023 March 31, 2024, approximately approximately30% 20% of our GLA was subject to leases that expire prior to December 31, 2024 December 31, 2025. Over the last three calendar years, we have renewed expiring leases with respect to approximately 70% 68% of our GLA. We routinely seek to renew leases with our existing tenants prior to their expiration and typically begin discussions with tenants as early as 24 months prior to the expiration date of the existing lease. Inasmuch as our early renewal program and other leasing and marketing efforts target these expiring leases, we work to re-lease most of that space prior to expiration of the leases. In the markets in which we operate, we obtain and analyze market rental rates through review of third-party publications, which provide market and submarket rental rate data and through inquiry of property owners and property management companies as to rental rates being quoted at properties that are located in close proximity to our properties and we believe display similar physical attributes as our nearby properties. We use this data to negotiate leases with new tenants and renew leases with our existing tenants at rates we believe to be competitive in the markets for our individual properties. Due to the short term nature of our leases, and based upon our analysis of market rental rates, we believe that, in the aggregate, our current leases are at market rates. Market conditions, including new supply of properties and competition, and macroeconomic conditions in our markets and nationally affecting tenant income, such as employment levels, business conditions, interest rates, tax rates, fuel and energy costs and other matters, could adversely impact our renewal rate and/or the rental rates we are able to negotiate. We continue to monitor our tenants' operating performances as well as overall economic trends to evaluate any future negative impact on our renewal rates and rental rates, which could adversely affect our cash flow and ability to make distributions to our shareholders.

Acquisitions

We seek to grow our GLA through the acquisition of additional properties, and we are carefully evaluating development and redevelopment activities on a case-by-case basis. We have extensive relationships with community banks, attorneys, title companies, and others in the real estate industry, which we believe enables us to take advantage of these market opportunities and maintain an active acquisition pipeline.

Property Acquisitions, Dispositions and Development

We seek to acquire commercial properties in high-growth markets. Our acquisition targets are properties that fit our Community Centered Properties® strategy. We may acquire properties in other high-growth cities in the future. As part of our ongoing commitment to our Community Centered Properties® strategy and in pursuit of expanding our commercial property portfolio in high-growth markets, we have carefully evaluated and identified certain non-core properties for divestment, allowing us to reallocate resources towards acquiring properties that align more closely with our long-term growth objectives.

On February 20, 2024, we acquired Garden Oaks Shopping Center, a property that meets our Community Centered Property® strategy, for $27.2 million in cash and net prorations. Garden Oaks Shopping Center, a 106,858 square foot property, was 95.8% leased at the time of purchase and is located in Houston, Texas.
On On June 12, 2023, we acquired Arcadia Towne Center, a property that meets our Community Centered Property® strategy, for $25.5 million in cash and net prorations. Arcadia Towne Center, a 69,503 square foot property, was 100% leased at the time of purchase and is located in Phoenix, Arizona.

On December 21, 2022 March 27, 2024, we acquired Lake Woodlands Crossing, a property that meets our Community Centered Property® strategy, for $22.5 million in cash and net prorations. Lake Woodlands Crossing, a 60,246 square foot property, was 89.3% leased completed the sale of Mercado at the time of purchase and is Scottsdale Ranch, located in The Woodlands, Texas. Phoenix, Arizona, for $26.5 million. We recorded a gain on sale of $6.6 million. We have not included Mercado at Scottsdale Ranch in discontinued operations as it did not meet the definition of discontinued operations.

On December 2, 2022 December 20, 2023, we acquired Dana Park Pad, a property that meets our Community Centered Property® strategy, for $4.9 million in cash and net prorations. Dana Park Pad, a 12,000 square foot property, was 100% leased at completed the time sale of purchase and is Spoerlein Commons, located in Buffalo Grove, Illinois, for $7.4 million. We recorded a Loss on sale of $0.7 million. We have not included Spoerlein in discontinued operations as it did not meet the Mesa submarket definition of Phoenix, Arizona. discontinued operations.

On June 30, 2023, we completed the sale of Westchase, located in Houston, Texas, for $7.8 million. We recorded a gain on sale of $4.6 million. We have not included Westchase in discontinued operations as it did not meet the definition of discontinued operations.

On June 30, 2023, we completed the sale of Sunridge, located in Houston, Texas, for $6.7 million. We recorded a gain on sale of $5.0 million. We have not included Sunridge in discontinued operations as it did not meet the definition of discontinued operations.

Leasing Activity

As of September 30, 2023 March 31, 2024, we owned 56 55 properties with 5,036,645 4,985,568 square feet of GLA and, as of September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, our occupancy rate for all properties was approximately 93% 94% and 92% 93%, respectively. The following is a summary of the Company's leasing activity for the nine three months ended September 30, 2023 March 31, 2024:

	Number of Leases Signed	GLA Signed	Weighted Average Lease Term (2)	TI and Incentives per Sq. Ft. (3)	Contractual Rent Per Sq. Ft. (4)	Prior Contractual Rent Per Sq. Ft. (5)	Straight-lined Basis Increase (Decrease) Over Prior Rent	Number of Leases Signed	GLA Signed	Weighted Average Lease Term (2)	TI and Incentives per Sq. Ft. (3)	Contractual Rent Per Sq. Ft. (4)	Prior Contractual Rent Per Sq. Ft. (5)	li (D C
Comparable (1)														
Renewal Leases	134	482,013	3.5	$ 1.10	$ 19.53	$ 17.79	21.2 %	45	133,823	3.5	$ 0.79	$ 22.52	$ 21.25	
New Leases	36	69,986	6.3	15.50	26.65	25.13	23.5 %	10	26,237	3.6	11.74	25.81	20.33	
Total	170	551,999	3.9	$ 2.92	$ 20.43	$ 18.72	21.6 %	55	160,060	3.5	$ 2.58	$ 23.06	$ 21.10	

	Number of Leases Signed	GLA Signed	Weighted Average Lease Term (2)	TI and Incentives per Sq. Ft. (3)	Contractual Rent Per Sq. Ft. (4)	Number of Leases Signed	GLA Signed	Weighted Average Lease Term (2)	TI and Incentives per Sq. Ft. (3)	Contractual Rent Per Sq. Ft. (4)
Total										
Renewal Leases	148	546,791	3.4	$ 1.49	$ 18.75	46	137,596	3.5	$ 0.79	$ 22.56
New Leases	75	170,986	6.4	16.89	24.20	24	54,753	4.3	13.43	24.70
Total	223	717,777	4.1	$ 5.16	$ 20.05	70	192,349	3.7	$ 4.39	$ 23.17

(1) Comparable leases represent leases signed on spaces for which there was a former tenant within the last twelve months and the new or renewal square footage was within 25% of the expired square footage.

(2) Weighted average lease term is determined on the basis of square footage.

(3) Estimated amount per signed leases. Actual cost of construction may vary. Does not include first generation costs for tenant improvements ("TI") and leasing commission costs needed for new acquisitions or redevelopment of a property to bring to operating standards for its intended use.

(4) Contractual minimum rent under the new lease for the first month, excluding concessions.

(5) Contractual minimum rent under the prior lease for the final month.

Critical Accounting Policies and Estimates

In preparing the consolidated financial statements, we have made estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results may differ from these estimates. A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” There Except the new accounting policies associated with the Pillarstone OP redemption, there have been no significant changes to these policies during the nine three months ended September 30, 2023 except for the estimates made regarding Pillarstone REIT Operating Partnership LP’s financial condition and results of operations. March 31, 2024. For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Results of Operations

Comparison of the Three Months Ended September 30, March 31, 2024 and 2023 and 2022

The following table provides a general comparison of our results of operations and other metrics for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 (dollars in thousands, except per share and per OP unit amounts):

	Three Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Number of properties owned and operated	56	60	55	57
Aggregate GLA (sq. ft.)(1)	5,036,645	5,205,242	4,985,568	5,000,653
Ending occupancy rate - operating portfolio (1)	93 %	92 %	94 %	93 %
Ending occupancy rate	93 %	92 %	94 %	93 %
Total revenues	$ 37,134	$ 35,383	$ 37,164	$ 35,851
Total operating expenses	25,279	24,551	25,567	23,724
Total other expense	8,864	6,810	1,986	7,889
Income before equity investment in real estate partnership and income tax	2,991	4,022	9,611	4,238
Equity (deficit) in earnings of real estate partnership	(375)	65		
Deficit in earnings of real estate partnership			(28)	(218)
Provision for income tax	(95)	(112)	(119)	(119)
Net income	2,521	3,975	9,464	3,901
Less: Net income attributable to noncontrolling interests	35	60	124	54
Net income attributable to Whitestone REIT	$ 2,486	$ 3,915	$ 9,340	$ 3,847
Funds from operations(2)	$ 11,693	$ 12,231	$ 11,818	$ 12,115
Property net operating income(3)	26,246	24,307	26,760	25,605
Distributions paid on common shares and OP units	6,011	5,989	6,049	5,996
Distributions per common share and OP unit	$ 0.1200	$ 0.1200	$ 0.1200	$ 0.1200
Distributions paid as a percentage of funds from operations	51%	49%	51%	49%

(1) Excludes (i) new acquisitions, through the earlier of attainment of 90% occupancy or 18 months of ownership, and (ii) properties that are undergoing significant redevelopment or re-tenanting.

(2) For an explanation and reconciliation of funds from operations, a Non-GAAP metric, to net income, see “—Reconciliation of Non-GAAP Financial Measures—Funds From Operations (“FFO”)” below.

(3) For an explanation and reconciliation of property net operating income, a non-GAAP metric, to net income, see “—Reconciliation of Non-GAAP Financial Measures—Property Net Operating Income (“NOI”)” below.

We define "Same Store" as properties that have been owned for the entire period being compared. For purposes of comparing the three months ended September 30, 2023 March 31, 2024 to the three months ended September 30, 2022 March 31, 2023, Same Store includes properties owned during the entire period from July January 1, 2022 2023 to September 30, 2023 March 31, 2024. We define "Non-Same Store" as properties acquired since the beginning of the period being compared and properties that have been sold, but not classified as discontinued operations.

Revenues. The primary components of revenue are detailed in the table below (in thousands, except percentages):

Revenue	Three Months Ended September 30, 2023	2022	Change	% Change	Three Months Ended March 31, 2024	2023	Change	% Change
Same Store								
Rental revenues (1)	$ 25,525	$ 24,318	$ 1,207	5 %	$ 25,681	$ 24,825	$ 856	3 %
Recoveries (2)	10,178	9,662	516	5 %	10,163	9,534	629	7 %
Bad debt (3)	(396)	(354)	(42)	12 %	(578)	(324)	(254)	78 %
Total rental	35,307	33,626	1,681	5 %	35,266	34,035	1,231	4 %
Other revenues	466	275	191	69 %	424	348	76	22 %
Same Store Total	35,773	33,901	1,872	6 %	35,690	34,383	1,307	4 %
Non-Same Store and Management Fees								
Non-Same Store								
Rental revenues (4)	996	926	70	8%	1,183	915	268	29%
Recoveries (4)	357	490	(133)	(27)%	314	547	(233)	(43)%
Bad debt (4)	7	(13)	20	(154)%	(22)	—	(22)	n/m
Total rental	1,360	1,403	(43)	(3)%	1,475	1,462	13	1%
Other revenues (4)	1	5	(4)	(80)%	(1)	6	(7)	(117)%
Management fees	—	74	(74)	(100)%				
Non-Same Store and Management Fees Total	1,361	1,482	(121)	(8)%				
Non-Same Store Total					1,474	1,468	6	0%
Total revenue	$ 37,134	$ 35,383	$ 1,751	5 %	$ 37,164	$ 35,851	$ 1,313	4 %

(1) The Same Store rental revenues increase of $1,207,000 $856,000 resulted from an increase of $129,000 $90,000 from higher average leased square feet from 4,523,995 4,492,157 to 4,548,010, 4,508,528, and an increase of $1,078,000 $766,000 from higher average rent per leased square foot from $21.50 $22.11 to $22.45. $22.78. Same Store rental revenues include straight-line rent write offs for tenants converted to cash basis accounting of an increase decrease of $33,000 22,000 and $28,000 151,000 for the three months ended September 30, March 31, 2024 and 2023 and 2022, respectively.

(2) The Same Store recoveries revenue increase of $516,000 $629,000 is primarily attributable to increases in operating expenses. Our recovery revenue from tenants generally increases as the related operating and maintenance and real estate tax expenses increase.

(3) During the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, Same Store bad debt includes an adjustment of $223,000 211,000 and $247,000 202,000, respectively, from cash basis accounting.

(4) Non-Same Store rental revenue includes Arcadia Towne Center Mercado at Scottsdale Ranch (sold on March 27, 2024), Garden Oaks (acquired on June 12, 2023 February 20, 2024), Dana Park Pad (acquired Spoerlein Commons (sold on December 2, 2022 December 20, 2023), Lake Woodlands Crossing (acquired on December 21. 2022), Westchase (sold on June 30, 2023), Sunridge (sold of on June 30, 2023), Bissonnet/Beltway (sold and Arcadia Towne Center (acquired on October 31, 2022), South Richey (sold on November 10, 2022), Desert Canyon (sold on November 16, 2022), Gilbert Tuscany Village Hard Corner (sold on November 14, 2022), and Pima Norte (sold on November 30, 2022 June 12, 2023).

Operating expenses. The primary components of operating expenses for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 are detailed in the table below (in thousands, except percentages):

Operating Expenses	Three Months Ended September 30, 2023	2022	Change	% Change	Three Months Ended March 31, 2024	2023	Change	% Change
Same Store								
Operating and maintenance (1)	$ 6,676	$ 6,712	$ (36)	(1)%	$ 6,142	$ 5,747	$ 395	7%
Real estate taxes (2)	4,610	4,330	280	6%	4,133	4,553	(420)	(9)%
Same Store total	11,286	11,042	244	2%	10,275	10,300	(25)	(0)%
Non-Same Store and affiliated company rents								
Operating and maintenance (3)	186	431	(245)	(57)%	207	324	(117)	(36)%
Real estate taxes (3)	83	183	(100)	(55)%	105	155	(50)	(32)%
Affiliated company rents (4)	—	174	(174)	(100)%	—	15	(15)	(100)%
Non-Same Store and affiliated company rents total	269	788	(519)	(66)%	312	494	(182)	(37)%
Depreciation and amortization	8,332	7,889	443	6%	8,800	7,846	954	12%
General and administrative (5)	5,392	4,832	560	12%	6,180	5,084	1,096	22%
Total operating expenses	$ 25,279	$ 24,551	$ 728	3%	$ 25,567	$ 23,724	$ 1,843	8%

(1) The $36 $395,000 Same Store operating and maintenance cost decrease included $296,000 increase includes $202,000 in increased insurance cost, $123,000 $148,000 in increased contract services costs, and $110,000 $124,000 in increased other labor costs, offset by $350,000 in decreased labor costs, $132,000 in decreased utilities costs, and $83,000 $79,000 in decreased repair costs.

(2) Same Store real estate taxes increase includes $190,000 more decrease is primarily from a decrease in Texas property tax rate from the Texas property tax relief package and $200,000 of real estate property tax refunds from successful property tax protests.

(3) Non-Same Store operating expenses include Arcadia Towne Center rental revenue includes Mercado at Scottsdale Ranch (sold on March 27, 2024), Garden Oaks (acquired on June 12, 2023 February 20, 2024), Dana Park Pad (acquired Spoerlein Commons (sold on December 2, 2022 December 20, 2023), Lake Woodlands Crossing (acquired on December 21. 2022), Westchase (sold on June 30, 2023), Sunridge (sold of on June 30, 2023), Bissonnet/Beltway (sold and Arcadia Towne Center (acquired on October 31, 2022), South Richey (sold on November 10, 2022), Desert Canyon (sold on November 16, 2022), Gilbert Tuscany Village Hard Corner (sold on November 14, 2022), and Pima Norte (sold on November 30, 2022 June 12, 2023).

(4) Affiliated company rents are spaces that we lease leased from Pillarstone OP.

(5) The general and administrative expense increase is attributable to increased legal expenses payroll cost of $608,000 (see Note 17 for more details) and $641,000, share based compensation of $136,000, $106,000, proxy solicitation fees of $400,000, offset by decreases from $97,000 in payroll costs, $65,000 legal fees of $17,000 and $34,000 in office expenses, and $22,000 in other costs. professional fees.

Other expenses (income). The primary components of other expenses (income) for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 are detailed in the table below (in thousands, except percentages):

Other Expenses (Income)	Three Months Ended September 30, 2023	2022	Change	% Change	Three Months Ended March 31, 2024	2023	Change	% Change
Interest expense (1)	$ 8,400	$ 6,816	$ 1,584	23%	$ 8,519	$ 7,903	$ 616	8%
Gain on sale of properties (2)	(5)	—	(5)	N/A	(6,525)	—	(6,525)	n/m
Loss on disposal of assets, net (2)	480	7	473	6757%				
Loss on disposal of assets					—	6	(6)	(100)%

Interest, dividend and other investment income	(11)	(13)	2	(15)%	(8)	(20)	12	(60)%
Total other expenses	$ 8,864	$ 6,810	$ 2,054	30%	$ 1,986	$ 7,889	$ (5,903)	(75)%

(1) The $1,584,000 $616,000 increase in interest expense is attributable to rising interest rates, which led to an increase in our effective interest rate to 5.07% 5.14% for the three months ended September 30, 2023March 31, 2024 as compared to 4.01% 4.86% for the three month ended September 30, 2022March 31, 2023, resulting in a $1,701,000 $438,000 increase in interest expense and increase in our average outstanding notes payable balance by $3,813,000, $14,659,000, resulting in a $30,000 $178,000 increase in interest expense, offset by $147,000 of extinguishment of debt costs for the three months ended September 30, 2022. expense.

(2) The $473,000 increase On March 27, 2024, we completed the sale of Mercado at Scottsdale Ranch, located in loss on disposal of assets is primarily attributable to write off of development projects.
Phoenix, Arizona, for an aggregate $26.5 million.

Equity (deficit) Deficit in earnings of real estate partnership. Our As of March 31, 2024, our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, we exercised our notice of redemption for substantially all of our investment in Pillarstone OP. For the three months ended March 31, 2024, our estimated equity (deficit) deficit in earnings from the real estate partnership, which is was generated through our 81.4% ownership of Pillarstone OP, decreased by $440,000, movingfrom an equity position of $65,000 for OP up to the redemption date, amounted to $28,000. For the three months ended September 30, 2022 to a March 31, 2023 our estimated deficit of $375,000 for in earnings from the three months ending September 30, 2023. real estate partnership was $218,000. Please refer to Note 6 (Investment in Real Estate Partnership) to the accompanying consolidated financial statements for more information regarding our investment in Pillarstone OP.

Same Store net operating income. The components of Same Store net operating income is detailed in the table below (in thousands):

	Three Months Ended September 30,		Increase	% Increase	Three Months Ended March 31,		Increase	% Increase
	2023	2022	(Decrease)	(Decrease)	2024	2023	(Decrease)	(Decrease)
Same Store (48 properties, excluding development land)								
Property revenues								
Rental	$ 35,307	$ 33,626	$ 1,681	5%	$ 35,266	$ 34,035	$ 1,231	4%
Management, transaction and other fees	466	275	191	69%	424	348	76	22%
Total property revenues	35,773	33,901	1,872	6%	35,690	34,383	1,307	4%
Property expenses								
Property operation and maintenance	6,676	6,712	(36)	(1)%	6,142	5,747	395	7%
Real estate taxes	4,610	4,330	280	6%	4,133	4,553	(420)	(9)%
Total property expenses	11,286	11,042	244	2%	10,275	10,300	(25)	(0)%
Total property revenues less total property expenses	24,487	22,859	1,628	7%	25,415	24,083	1,332	6%
Same Store straight-line rent adjustments	(759)	(421)	(338)	80%	(1,083)	(519)	(564)	109%
Same Store amortization of above/below market rents	(218)	(224)	6	(3)%	(209)	(210)	1	(0)%
Same Store lease termination fees	(300)	(92)	(208)	226%	(268)	(214)	(54)	25%
Same Store NOI(1)	$ 23,210	$ 22,122	$ 1,088	5%	$ 23,855	$ 23,140	$ 715	3%

(1) See below for a reconciliation of property net operating income to net income.

	Three Months Ended September 30,		Three Months Ended March 31,	
PROPERTY NET OPERATING INCOME (“NOI”)	2023	2022	2024	2023
Net income attributable to Whitestone REIT	$ 2,486	$ 3,915	$ 9,340	$ 3,847
General and administrative expenses	5,392	4,832	6,180	5,084

Depreciation and amortization	8,332	7,889	8,800	7,846
(Equity) deficit in earnings of real estate partnership(1)	375	(65)		
Deficit in earnings of real estate partnership(1)			28	218
Interest expense	8,400	6,816	8,519	7,903
Interest, dividend and other investment income	(11)	(13)	(8)	(20)
Provision for income taxes	95	112	119	119
Gain on sale of properties	(5)	—	(6,525)	—
Management fee, net of related expenses	—	31		
Loss on disposal of assets, net	480	7		
Loss on disposal of assets			—	6
NOI of real estate partnership (pro rata)(1)	667	723	183	548
Net income attributable to noncontrolling interests	35	60	124	54
NOI	$ 26,246	$ 24,307	$ 26,760	$ 25,605
Non-Same Store NOI (2)	(1,092)	(725)	(1,162)	(974)
NOI of real estate partnership (pro rata)(1)	(667)	(723)	(183)	(548)
NOI less Non-Same Store NOI and NOI of real estate partnership (pro rata)	24,487	22,859	25,415	24,083
Same Store straight-line rent adjustments	(759)	(421)	(1,083)	(519)
Same Store amortization of above/below market rents	(218)	(224)	(209)	(210)
Same Store lease termination fees	(300)	(92)	(268)	(214)
Same Store NOI (3)	$ 23,210	$ 22,122	$ 23,855	$ 23,140

(1) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of September 30, 2023 March 31, 2024 and 2023 have not been made available to us, we have estimated equity deficit in earnings and pro rata share of NOI of real estate partnership based on the information available to us at the time of this report. Please refer to Note 6 to the accompanying consolidated financial statements for the full disclosure.

(2) We define "Non-Same Store" as properties that have been acquired since the beginning of the period being compared and properties that have been sold, but not classified as discontinued operations. For purposes of comparing the three months ended September 30, 2023 March 31, 2024 to the three months ended September 30, 2022 March 31, 2023, Non-Same Store includes properties acquired between July 1, 2022 January 1, 2023 and September 30, 2023 March 31, 2024 and properties sold between July 1, 2022 January 1, 2023 and September 30, 2023 March 31, 2024, but not included in discontinued operations.

(3) We define "Same Store" as properties that have been owned during the entire period being compared. For purposes of comparing the three months ended September 30, 2023 March 31, 2024 to the three months ended September 30, 2022 March 31, 2023, Same Store includes properties owned before July January 1, 2022023 and not sold before September 30, 2023. Straight-line rent adjustments, above/below market rents, and lease termination fees are excluded.

Comparison of the Nine Months EndedSeptember 30, 2023 and 2022

The following table provides a general comparison of our results of operations and other metrics for the nine months ended September 30, 2023 and 2022 (dollars in thousands, except per share and per OP unit amounts):

	Nine Months Ended September 30,	
	2023	2022
Number of properties owned and operated	56	60
Aggregate GLA (sq. ft.)(1)	5,036,645	5,205,242
Ending occupancy rate - operating portfolio (1)	93 %	92 %
Ending occupancy rate	93 %	92 %
Total revenues	$ 109,445	$ 104,503
Total operating expenses	74,204	69,844
Total other expense	15,388	19,080
Income before equity investment in real estate partnership and income tax	19,853	15,579
Equity (deficit) in earnings of real estate partnership	(1,627)	304
Provision for income tax	(339)	(313)

Net income	17,887	15,570
Less: Net income attributable to noncontrolling interests	248	239
Net income attributable to Whitestone REIT	$ 17,639	$ 15,331
Funds from operations (2)	$ 34,387	$ 40,325
Property net operating income (3)	77,329	73,924
Distributions paid on common shares and OP units	18,003	17,312
Distributions per common share and OP unit	$ 0.3600	$ 0.3475
Distributions paid as a percentage of funds from operations	52 %	43 %

(1) Excludes (i) new acquisitions, through the earlier of attainment of 90% occupancy or 18 months of ownership, and (ii) properties that are undergoing significant redevelopment or re-tenanting.

(2) For an explanation and reconciliation of funds from operations, a Non-GAAP metric, to net income, see "—Reconciliation of Non-GAAP Financial Measures—Funds From Operations ("FFO")" below.

(3) For an explanation and reconciliation of property net operating income, a non-GAAP metric, to net income, see "—Reconciliation of Non-GAAP Financial Measures—Property Net Operating Income ("NOI")" below.

We define "Same Store" as properties that have been owned for the entire period being compared. For purposes of comparing the nine months ended September 30, 2023 to the nine months ended September 30, 2022, Same Store includes properties owned during the entire period from January 1, 2022 to September 30, 2023. We define "Non-Same Store" as properties acquired since the beginning of the period being compared and properties that have been sold, but not classified as discontinued operations.

Revenues. The primary components of revenue are detailed in the table below (in thousands, except percentages):

Revenue	Nine Months Ended September 30, 2023	2022	Change	% Change
Same Store				
Rental revenues (1)	$ 75,999	$ 72,295	$ 3,704	5 %
Recoveries (2)	29,473	27,703	1,770	6 %
Bad debt (3)	(888)	(595)	(293)	49 %
Total rental	104,584	99,403	5,181	5 %
Other revenues	1,035	633	402	64 %
Same Store Total	105,619	100,036	5,583	6 %
Non-Same Store and Management Fees				
Rental revenues (4)	2,781	2,728	53	2 %
Recoveries (4)	1,098	1,389	(291)	(21)%
Bad debt (4)	(58)	(20)	(38)	190 %
Total rental	3,821	4,097	(276)	(7)%
Other revenues (4)	5	11	(6)	(55)%
Management fees	—	359	(359)	(100)%
Non-Same Store and Management Fees Total	3,826	4,467	(641)	(14)%
Total revenue	$ 109,445	$ 104,503	$ 4,942	5 %

(1) The Same Store rental revenues increase of $3,704,000 resulted from an increase of $827,000 from higher average leased square feet from 4,514,654 to 4,566,917, and an increase of $2,877,000 from higher average rent per leased square foot from $21.35 to $22.19. Same Store rental revenues include straight-line rent write offs for tenants converted to cash basis accounting of a decrease of $86,000 and $435,000 for the nine months ended September 30, 2023 and 2022, respectively.

(2) The Same Store recoveries revenue increase of $1,770,000 is primarily attributable to increases in operating and maintenance expenses. Our recovery revenue from tenants generally increases as the related operating and real estate tax expenses increase.

(3) During the nine months ended September 30, 2023 and 2022, Same Store bad debt includes an adjustment of $506,000 and $413,000 respectively, from cash basis accounting.

(4) Non-Same Store rental revenue includes Arcadia Towne Center (acquired on June 12, 2023) Dana Park Pad (acquired on December 2, 2022), Lake Woodlands Crossing (acquired on December 21. 2022), Westchase (sold on June 30, 2023), Sunridge (sold on June 30, 2023), Bissonnet/Beltway (sold on October 31, 2022), South Richey (sold on November 10, 2022), Desert Canyon (sold on November 16, 2022), Gilbert Tuscany Village Hard Corner (sold on November 14, 2022), and Pima Norte (sold on November 30, 2022).

Operating expenses. The primary components of operating expenses for the nine months ended September 30, 2023 and 2022 are detailed in the table below (in thousands, except percentages):

Operating Expenses	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Change	% Change
Same Store				
Operating and maintenance (1)	$ 19,204	$ 17,487	$ 1,717	10 %
Real estate taxes	13,755	13,286	469	4 %
Same Store total	32,959	30,773	2,186	7 %
Non-Same Store and affiliated company rents				
Operating and maintenance (2)	628	1,400	(772)	(55)%
Real estate taxes (2)	413	581	(168)	(29)%
Affiliated company rents (3)	15	366	(351)	(96)%
Non-Same Store and affiliated company rents total	1,056	2,347	(1,291)	(55)%
Depreciation and amortization (2)	24,538	23,661	877	4 %
General and administrative (4)	15,651	13,063	2,588	20 %
Total operating expenses	$ 74,204	$ 69,844	$ 4,360	6 %

(1) The $1,717,000 Same Store operating and maintenance cost increase included $727,000 in increased insurance costs, $568,000 in increased contract services costs, $418,000 in increased repair costs, and $124,000 in increased labor costs and offset by decrease of $120,000 in other costs.

(2) Non-Same Store operating expenses include Arcadia Towne Center (acquired on June 12, 2023), Dana Park Pad (acquired on December 2, 2022), Lake Woodlands Crossing (acquired on December 21. 2022), Westchase (sold on June 30, 2023), Sunridge (sold of June 30, 2023), Bissonnet/Beltway (sold on October 31, 2022), South Richey (sold on November 10, 2022), Desert Canyon (sold on November 16, 2022), Gilbert Tuscany Village Hard Corner (sold on November 14, 2022), and Pima Norte (sold on November 30, 2022).

(3) Affiliated company rents are spaces that we lease from Pillarstone OP.

(4) The general and administrative expense increase is attributable to increased share based compensation of $2,248,000 and increased legal expenses of $1,143,000 (see Note 17 for more details), offset by decreases from $568,000 in payroll costs, $235,000 in other costs. The increase in share based compensation during the nine months ended September 30, 2023 compared to the prior year period primarily relates to forfeitures from the leadership changes in 2022.

Other expenses (income). The primary components of other expenses (income) for the nine months ended September 30, 2023 and 2022 are detailed in the table below (in thousands, except percentages):

Other Expenses (Income)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Change	% Change
Interest expense (1)	$ 24,563	$ 19,111	$ 5,452	29 %
(Gain) loss on sale of properties, net (2)	(9,626)	7	(9,633)	(137614) %
Loss on disposal of assets, net	500	5	495	9900 %
Interest, dividend and other investment income	(49)	(43)	(6)	14 %
Total other expense	$ 15,388	$ 19,080	$ (3,692)	(19)%

(1) The $5,452,000 increase in interest expense is attributable to rising interest rates, which led to an increase in our effective interest rate to 4.99% for the nine months ended September 30, 2023 as compared to 3.78% for the nine months ended September 30, 2022 resulting in an increase of $5,770,000 in interest expense. Decrease in our average outstanding notes payable balance by $5,814,000, resulting in a $171,000 decrease in interest expense and $147,000 of extinguishment of debt costs for the nine months ended September 30, 2022 offset the increase in interest expense.

(2) On June 30, 2023, we completed the sale of Sunridge, located in Houston, Texas, for $6.7 million. We recorded a gain on sale of $5.0 million.
On June 30, 2023, we completed the sale of Westchase, located in Houston, Texas, for $7.8 million. We recorded a gain on sale of $4.6 million.

Equity (deficit) in earnings of real estate partnership. Our estimated equity (deficit) in earnings from real estate partnership, which is generated from our 81.4% ownership of Pillarstone OP, decreased $1,931,000 from an equity position of $304,000 for the nine months ended September 30, 2022 to a deficit of $1,627,000 for the nine months ending September 30, 2023. Please refer to Note 6 (Investment in Real Estate Partnership) to the accompanying consolidated financial statements for more information regarding our investment in Pillarstone OP.

Same Store net operating income. The components of Same Store net operating income is detailed in the table below (in thousands):

	Nine Months Ended September 30,		Increase	% Increase
	2023	2022	(Decrease)	(Decrease)
Same Store (48 properties, excluding development land)				
Property revenues				
Rental	$ 104,584	$ 99,403	$ 5,181	5 %
Management, transaction and other fees	1,035	633	402	64 %
Total property revenues	105,619	100,036	5,583	6 %
Property expenses				
Property operation and maintenance	19,204	17,487	1,717	10 %
Real estate taxes	13,755	13,286	469	4 %
Total property expenses	32,959	30,773	2,186	7 %
Total property revenues less total property expenses	72,660	69,263	3,397	5 %
Same Store straight-line rent adjustments	(2,193)	(1,105)	(1,088)	98 %
Same Store amortization of above/below market rents	(647)	(677)	30	(4)%
Same Store lease termination fees	(600)	(115)	(485)	422 %
Same Store NOI(1)	$ 69,220	$ 67,366	$ 1,854	3 %

(1) See below for a reconciliation of property net operating income to net income.

PROPERTY NET OPERATING INCOME ("NOI")	Nine Months Ended September 30, 2023	2022
Net income attributable to Whitestone REIT	$ 17,639	$ 15,331
General and administrative expenses	15,651	13,063
Depreciation and amortization	24,538	23,661
(Equity) deficit in earnings of real estate partnership (1)	1,627	(304)
Interest expense	24,563	19,111
Interest, dividend and other investment income	(49)	(43)
Provision for income taxes	339	313
(Gain) loss on sale of properties	(9,626)	7
Management fee, net of related expenses	16	112
Loss on disposal of assets, net	500	5
NOI of real estate partnership (pro rata) (1)	1,883	2,429
Net income attributable to noncontrolling interests	248	239
NOI	$ 77,329	$ 73,924
Non-Same Store NOI (2)	(2,786)	(2,232)
NOI of real estate partnership (pro rata)(1)	(1,883)	(2,429)
NOI less Non-Same Store NOI and NOI of real estate partnership (pro rata)	72,660	69,263
Same Store straight-line rent adjustments	(2,193)	(1,105)
Same Store amortization of above/below market rents	(647)	(677)
Same Store lease termination fees	(600)	(115)
Same Store NOI (3)	$ 69,220	$ 67,366

(1) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of September 30, 2023 have not been made available to us, we have estimated equity in earnings and pro rata share of NOI of real estate partnership based on the information available to us at the time of this report. Please refer to Note 6 for the full disclosure.

(2) We define "Non-Same Store" as properties that have been acquired since the beginning of the period being compared and properties that have been sold, but not classified as discontinued operations. For purposes of comparing the nine months ended September 30, 2023 to the nine months ended September 30, 2022, Non-Same Store includes properties acquired between January 1, 2022 and September 30, 2023 and properties sold between January 1, 2022 and September 30, 2023, but not included in discontinued operations.

(3) We define "Same Store" as properties that have been owned during the entire period being compared. For purposes of comparing the nine months ended September 30, 2023 to the nine months ended September 30, 2022, Same Store includes properties owned before January 1, 2022 and not sold before September 30, 2023 March 31, 2024. Straight-line rent adjustments, above/below market rents, and lease termination fees are excluded.

Reconciliation of Non-GAAP Financial Measures

Funds From Operations (NAREIT) ("FFO") and Normalized Core FFO

The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income available to Whitestone REIT (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains or losses from the sale of certain real estate assets, gains and losses from change in control, and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. We calculate FFO in a manner consistent with the NAREIT definition and also include adjustments for our unconsolidated real estate partnership.

Normalized Core Funds from Operations ("Normalized Core FFO") is a non-GAAP measure. We define Normalized Core FFO as FFO excluding extinguishment of debt proxy contest costs.

Management uses FFO and Normalized Core FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income alone as the primary measure of our operating performance.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Because real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that use historical cost accounting is insufficient by itself. In addition, securities analysts, investors and other interested parties use FFO as the primary metric for comparing the relative performance of equity REITs.

FFO and Normalized Core FFO should not be considered as alternatives to net income or other measurements under GAAP, as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO and Normalized Core FFO do not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness. Although our calculation of FFO is consistent with that of NAREIT, there can be no assurance that FFO and Normalized Core FFO presented by us is comparable to similarly titled measures of other REITs.

Below are the calculations of FFO and Normalized Core FFO, along with the reconciliations to net income, which we believe are the most comparable U.S. GAAP financial measures (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
FFO (NAREIT) AND NORMALIZED FFO	2023	2022	2023	2022
Net income attributable to Whitestone REIT	$ 2,486	$ 3,915	$ 17,639	$ 15,331
Adjustments to reconcile to FFO:(1)				
Depreciation and amortization of real estate assets	8,294	7,846	24,417	23,534
Depreciation and amortization of real estate assets of real estate partnership (pro rata) (2)	403	403	1,209	1,209
Loss on disposal of assets, net	480	7	500	5
(Gain) loss on sale of properties	(5)	—	(9,626)	7
Net income attributable to noncontrolling interests	35	60	248	239
FFO (NAREIT)	$ 11,693	$ 12,231	$ 34,387	$ 40,325
Adjustments to reconcile to Normalized FFO:				

Extinguishment of debt costs	—	147	—	147
Normalized FFO	$ 11,693	$ 12,378	$ 34,387	$ 40,472

	Three Months Ended March 31,	
FFO AND CORE FFO	2024	2023
Net income attributable to Whitestone REIT	$ 9,340	$ 3,847
Adjustments to reconcile to FFO:(1)		
Depreciation and amortization of real estate assets	8,768	7,805
Depreciation and amortization of real estate assets of real estate partnership (pro rata) (2)	111	403
Loss on disposal of assets	—	6
Gain on sale of properties	(6,525)	—
Net income attributable to noncontrolling interests	124	54
FFO	$ 11,818	$ 12,115
Adjustments to reconcile to Core FFO:		
Proxy contest costs	438	—
Core FFO	$ 12,256	$ 12,115

(1) Includes pro-rata share attributable to real estate partnership. partnership for the three months ended March 31, 2023 and through January 25, 2024, the redemption date.

(2) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of September 30, 2023 March 31, 2024 and 2023 have not been made available to us, we have estimated depreciation and amortization of real estate assets based on the information available to us at the time of this report. Please refer to Note 6 t the accompanying consolidated financial statements for the full disclosure.

Property Net Operating Income ("NOI")

Management believes that NOI is a useful measure of our property operating performance. We define NOI as operating revenues (rental and other revenues) less property and related expenses (property operation and maintenance and real estate taxes). Other REITs may use different methodologies for calculating NOI and, accordingly, our NOI may not be comparable to other REITs. Because NOI excludes general and administrative expenses, depreciation and amortization, equity or deficit in earnings of real estate partnership, interest expense, interest, dividend and other investment income, provision for income taxes, gain on sale of properties, management fee (net of related expenses) and gain or loss on sale or disposition disposal of assets, and includes NOI of real estate partnership (pro rata) and net income attributable to noncontrolling interest, it provides a performance measure that, when compared year-over-year, reflects the revenues and expenses directly associated with owning and operating commercial real estate properties and the impact to operations from trends in occupancy rates, rental rates and operating costs, providing perspective not immediately apparent from net income. We use NOI to evaluate our operating performance since NOI allows us to evaluate the impact that factors such as occupancy levels, lease structure, lease rates and tenant base have on our results, margins and returns. In addition, management believes that NOI provides useful information to the investment community about our property and operating performance when compared to other REITs since NOI is generally recognized as a standard measure of property performance in the real estate industry. However, NOI should not be viewed as a measure of our overall financial performance since it does not reflect the level of capital expenditure and leasing costs necessary to maintain the operating performance of our properties, including general and administrative expenses, depreciation and amortization, equity or deficit in earnings of real estate partnership, interest expense, interest, dividend and other investment income, provision for income taxes, gain on sale of properties, management fee (net of related expenses) and gain or loss on sale or disposition of assets.

Below is the calculation of NOI and the reconciliations to net income, which we believe is the most comparable U.S. GAAP financial measure (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
PROPERTY NET OPERATING INCOME	2023	2022	2023	2022	2024	2023
Net income attributable to Whitestone REIT	$ 2,486	$ 3,915	$ 17,639	$ 15,331	$ 9,340	$ 3,847
General and administrative expenses	5,392	4,832	15,651	13,063	6,180	5,084
Depreciation and amortization	8,332	7,889	24,538	23,661	8,800	7,846
(Equity) deficit in earnings of real estate partnership	375	(65)	1,627	(304)		

Deficit in earnings of real estate partnership					28	218
Interest expense	8,400	6,816	24,563	19,111	8,519	7,903
Interest, dividend and other investment income	(11)	(13)	(49)	(43)	(8)	(20)
Provision for income taxes	95	112	339	313	119	119
(Gain) loss on sale of properties	(5)	—	(9,626)	7		
Management fee, net of related expenses	—	31	16	112		
Loss on disposal of assets, net	480	7	500	5		
Gain on sale of properties					(6,525)	—
Loss on disposal of assets					—	6
NOI of real estate partnership (pro rata) (1)	667	723	1,883	2,429	183	548
Net income attributable to noncontrolling interests	35	60	248	239	124	54
NOI	$ 26,246	$ 24,307	$ 77,329	$ 73,924	$ 26,760	$ 25,605

(1) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of September 30, 2023 March 31, 2024 and 2023 have not been made available to us, we have estimated equity in earnings and pro rata share of NOI of real estate partnership based on the information available to us at the time of this report. Please refer to Note 6 for the full disclosure.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of distributions to holders of our common shares and OP units, including those required to maintain our REIT status and satisfy our current quarterly distribution target of $0.1200 $0.12375 per common share and OP unit, recurring expenditures, such as repairs and maintenance of our properties, non-recurring expenditures, such as capital improvements and tenant improvements, debt service requirements, and, potentially, acquisitions of additional properties.

During the nine three months ended September 30, 2023 March 31, 2024, our cash provided by operating activities was $35,854,000 $11,524,000 and our total distributions were $18,003,000. $6,049,000. Therefore, we had cash flow from operations in excess of distributions of approximately $17,851,000.$5,475,000. We anticipate that cash flows from operating activities and our borrowing capacity under our 2022 Facility will provide adequate capital for our working capital requirements, anticipated capital expenditures and scheduled debt payments in the short term. We also believe that cash flows from operating activities and our borrowing capacity will allow us to make all distributions required for us to continue to qualify to be taxed as a REIT for federal income tax purposes.

Our long-term capital requirements consist primarily of maturities under our longer-term debt agreements, development and redevelopment costs, and potential acquisitions. We expect to meet our long-term liquidity requirements with net cash from operations, long-term indebtedness, sales of common shares, issuance of OP units, sales of underperforming properties and non-core properties and other financing opportunities, including debt financing. We believe we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. On February 22, 2022 March 5, 2024, the Company announced an increase to its quarterly distribution to $0.12 $0.12375 per common share and OP unit, equal to a monthly distribution of $0.04, $0.04125, beginning with the April 2022 2024 distribution. The Board will regularly reassess the dividend in light of economic conditions. As of September 30, 2023 March 31, 2024, subject to any potential future paydowns in the borrowing base, we have $112.5 million $81.0 million remaining availability under the 2022 Revolver.

Our ability to access the capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about our Company. In light of the dynamics in the capital markets impacted by macro economic factors and economic uncertainty, our access to capital may be diminished. Despite these potential challenges, we believe we have sufficient access to capital for the foreseeable future, but we can provide no assurance that such capital will be available to us on attractive terms or at all.

On May 20, 2022, our universal shelf registration statement on Form S-3 was declared effective by the SEC, which registers the issuance and sale by us of up to $500 million in securities from time to time, including common shares, preferred shares, debt securities, depositary shares and subscription rights.

On September 9, 2022, we entered into eleven equity distribution agreements for an at-the-market equity distribution program (the "2022 equity distribution agreements") providing for the issuance and sale of up to an aggregate of $100 million of the Company's common shares pursuant to our Registration Statement on Form S-3 (File No. 333-264881). Actual sales will depend on a variety of factors determined by us from time to time, including (among others) market conditions, the trading price of our common shares, capital needs and our determinations of the appropriate sources of funding for us, and will be made in transactions that will be deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act. We have no obligation to sell any of our common shares and can at any time suspend offers under the 2022 equity distribution agreements or terminate the 2022 equity distribution agreements. For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, we did not sell shares under the 2022 equity distribution agreements.

To the extent we sell shares in the future under the 2022 equity distribution agreements, we anticipate using net proceeds for general corporate purposes, which may include acquisitions of additional properties, the repayment of outstanding indebtedness, capital expenditures, the expansion, redevelopment and/or re-tenanting of properties in our portfolio, working capital and other general purposes.

We expect that our rental income will increase as we continue to acquire additional properties, subsequently increasing our cash flows generated from operating activities. We intend to finance the continued acquisition of such additional properties through equity issuances and through debt financing.

Our capital structure includes non-recourse mortgage debt that we have assumed or originated on certain properties. We may hedge the future cash flows of certain variable rate debt transactions principally through interest rate swaps with major financial institutions. See Note 8 (Derivatives and Hedging Activities) to the accompanying consolidated financial statements for a description of our current cash flow hedges.

As discussed in Note 2 (Summary of Significant Accounting Policies) to the accompanying consolidated financial statements, pursuant to the terms of our $15.1 million 4.99% Note, due January 6, 2024 (see Note 7 (Debt)) to the accompanying consolidated financial statements), which is collateralized by our Anthem Marketplace property, we were required by the lenders thereunder to establish a cash management account controlled by the lenders to collect all amounts generated by our Anthem Marketplace property in order to collateralize such promissory note. Amounts The note was paid off in the cash management account are classified as January 2024. As of March 31, 2024, we had no restricted cash.

Cash, Cash Equivalents and Restricted Cash

We had cash, cash equivalents and restricted cash of approximately $3,073,000 $6,215,000 as of September 30, 2023 March 31, 2024, as compared to $6,355,000 $4,640,000 on December 31, 2022 December 31, 2023. Sources and uses of cash during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows:

Sources of Cash

- Cash flow Proceeds from operations sale of $35,854,000 properties of $25,661,000 for the nine three months ended September 30, 2023 March 31, 2024, compared to $33,459,000 $0 for the nine three months ended September 30, 2022 March 31, 2023;

- Proceeds from credit facility of $34,000,000 $23,000,000 for the nine three months ended September 30, 2023 March 31, 2024, compared to payments proceeds from of the credit facility of $5,000,000 $9,500,000 for the nine three months ended September 30, 2022 March 31, 2023;

- Proceeds Cash flow from sale operations of properties of $13,447,000 $11,524,000 for the nine three months ended September 30, 2023 March 31, 2024, compared to $0 $4,915,000 for the nine three months ended September 30, 2022 March 31, 2023;

Uses of Cash

- Acquisition of real estate of $25,474,000 $27,204,000 for the nine three months ended September 30, 2023 March 31, 2024, compared to $0 for the nine three months ended September 30, 2022 March 31, 2023;
- Payments of notes payable of $20,869,000 for the three months ended March 31, 2024, compared to $7,571,000 for the three months ended March 31, 2023;

- Payment of distributions to common shareholders and OP unit holders of $18,003,000 $6,049,000 for the nine three months ended September 30, 2023 March 31, 2024, compared to $17,312,000 $5,996,000 for the nine three months ended September 30, 2022 March 31, 2023;

- Additions to real estate of $12,748,000 $3,041,000 for the nine three months ended September 30, 2023 March 31, 2024, compared to $10,118,000 $3,529,000 for the nine three months ended September 30, 2022 March 31, 2023;

- Payments Repurchase of notes payable common shares of $29,823,000 for $1,442,000 or the nine three months ended September 30, 2023 March 31, 2024, compared to $2,705,000 $0 for the nine three months ended September 30, 2022; March 31, 2023.

- Payment of finance lease liability of $10,000 nine $5,000 three months ended September 30, 2023 March 31, 2024, compared to $0 $2,000 for the nine three months ended September 30, 2022 March 31, 2023; and

- Repurchase of common shares of $525,000 or the nine months ended September 30, 2023, compared to $527,000 for the nine months ended September 30, 2022.

We place all cash in short-term, highly liquid investments that we believe provide appropriate safety of principal.

Debt

Debt consisted of the following as of the dates indicated (in thousands):

Description	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Fixed rate notes				
$265.0 million, 3.18% plus 1.45% to 2.10% Note, due January 31, 2028 (1)	$ 265,000	$ 265,000	$ 265,000	$ 265,000
$80.0 million, 3.72% Note, due June 1, 2027	80,000	80,000	80,000	80,000
$19.0 million 4.15% Note, due December 1, 2024	17,750	18,016	17,566	17,658
$20.2 million 4.28% Note, due June 6, 2023	—	17,375		
$14.0 million 4.34% Note, due September 11, 2024	12,499	12,709	12,354	12,427
$14.3 million 4.34% Note, due September 11, 2024	13,324	13,520	13,189	13,257
$15.1 million 4.99% Note, due January 6, 2024	13,423	13,635	—	13,350
$2.6 million 5.46% Note, due October 1, 2023	—	2,236		
$50.0 million, 5.09% Note, due March 22, 2029	42,857	50,000		
$50.0 million, 5.17% Note, due March 22, 2029	50,000	50,000		
$3.0 million 6.78% Note, due December 28, 2023	818	—		
$50.0 million, 5.09% Note, due March 22, 2029 (Series A)			35,714	42,857
$50.0 million, 5.17% Note, due March 22, 2029 (Series B)			50,000	50,000
$2.5 million 7.79% Note, due February 28, 2025			2,494	—
$50.0 million, 3.71% plus 1.50% to 2.10% Note, due September 16, 2026 (2)	50,000	—	50,000	50,000
Floating rate notes				
Unsecured line of credit, SOFR plus 1.50% to 2.10%, due September 16, 2026	87,500	103,500	119,000	96,000
Total notes payable principal	633,171	625,991	645,317	640,549
Less deferred financing costs, net of accumulated amortization	(421)	(564)	(336)	(377)
Total notes payable	$ 632,750	$ 625,427	$ 644,981	$ 640,172

(1) Promissory note includes an interest rate swap that fixes the SOFR portion of the term loan at an interest rate of 2.16% through October 28, 2028 October 28, 2022, 2.76% from October 29, 2022 through January 31, 2024, and 3.32% beginning February 1, 2024 through January 31, 2028.

(2) A portion of the unsecured line of credit includes an interest rate swap to fix the SOFR portion of the loan at 3.71%.

Scheduled maturities of our outstanding debt as of September 30, 2023 March 31, 2024 were as follows (in thousands):

Year	Amount Due	Amount Due
2023 (remaining)	$ 1,383	
2024	63,573	
2024 (remaining)		$ 45,150
2025	17,143	17,596
2026	154,643	186,143
2027	97,143	97,143
2028		282,143
Thereafter	299,286	17,142
Total	$ 633,171	$ 645,317

On September 16, 2022 we, through our Operating Partnership, entered into an unsecured credit facility (the “2022 Facility”) with the lenders party thereto, Bank of Montreal, as administrative agent (the “Administrative Agent”), Truist Bank, as syndication agent, and BMO Capital Markets Corp., Truist Bank, Capital One, National Association, and U.S. Bank National Association, as co-lead arrangers and joint book runners. The 2022 Facility amended and restated the Company's previous unsecured revolving credit facility, dated January 31, 2019 (the "2019 Facility").

The 2022 Facility is comprised of the following three tranches:

- $250.0 million unsecured revolving credit facility with a maturity date of September 16, 2026 (the “2022 Revolver”);
- $265.0 million unsecured term loan with a maturity date of January 31, 2028 (“Term Loan”).

Borrowings under the 2022 Facility accrue interest (at the Operating Partnership's option) at a Base Rate or an Adjusted Term SOFR plus an applicable margin based upon our then existing leverage. As of September 30, 2023 March 31, 2024, the interest rate on the 2022 Revolver was 7.03% 6.87%. Based on our current leverage ratio, the revolver has initial interest rate of SOFR plus 1.60% and a 10 basis point credit spread adjustment. In addition, we entered into interest rate swaps to fix the interest rates on the Term Loan. The Term Loan with the swaps has the following interest rates:

- 2.16% plus 1.55% through October 28, 2022
- 2.80% plus 1.55% from October 29, 2022 through January 31, 2024
- 3.42% plus 1.55% from February 1, 2024 through January 31, 2028

The 2022 Facility also has a pricing provision where the applicable margin can be adjusted by an aggregate 0.02% per annum based on the Company's performance on certain sustainability performance targets. Base Rate means, for any day, the higher of: (a) the Administrative Agent's prime commercial rate, (b) the sum of (i) the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York for such day, plus (ii) 0.50%, or (c) the sum of (i) Adjusted Term SOFR for a one-month tenor in effect on such day plus (ii) 1.10%. Adjusted Term SOFR means, for any such day, the sum of (i) the SOFR-based term rate for the day two (2) business days prior and (ii) 0.10%.

The 2022 Facility includes an accordion feature that will allow the Operating Partnership to increase the borrowing capacity by $200.0 million, upon the satisfaction of certain conditions. As of September 30, 2023 March 31, 2024, subject to any potential future paydowns or increases in the borrowing base, we have $112.5 million $81.0 million remaining availability under the 2022 Revolver. As of September 30, 2023 March 31, 2024, $402.5 $434.0 million was drawn on the 2022 Facility and our unused borrowing capacity was $112.5 million,$81.0 million, assuming that we use the proceeds of the 2022 Facility to acquire properties, or to repay debt on properties, that are eligible to be included in the unsecured borrowing base. The Company used $379.5 million of proceeds from the 2022 Facility to repay amounts outstanding under the 2019 Facility.

The Company, each direct and indirect material subsidiary of the Operating Partnership and any other subsidiary of the Operating Partnership that is a guarantor under any unsecured ratable debt will serve as a guarantor for funds borrowed by the Operating Partnership under the 2022 Facility. The 2022 Facility contains customary terms and conditions, including, without limitation, customary representations and warranties and affirmative and negative covenants including, without limitation, information reporting requirements, limitations on investments, acquisitions, loans and advances, mergers, consolidations and sales, incurrence of liens, dividends and restricted payments. In addition, the 2022 Facility contains certain financial covenants including the following:

- maximum total indebtedness to total asset value ratio of 0.60 to 1.00;
- maximum secured debt to total asset value ratio of 0.40 to 1.00;
- minimum EBITDA (earnings before interest, taxes, depreciation, amortization or extraordinary items) to fixed charges ratio of 1.50 to 1.00;
- maximum secured recourse debt to total asset value ratio of 0.15 to 1.00; and
- maintenance of a minimum tangible net worth (adjusted for accumulated depreciation and amortization) of 75% of the Company's total net worth as of December 31, 2021 $449 million plus 75% of the net proceeds from additional equity offerings (as defined therein); and.

- minimum adjusted property NOI to implied unencumbered debt service ratio of 1.50 to 1.00.

We serve as the guarantor for funds borrowed by the Operating Partnership under the 2022 Facility. The 2022 Facility contains customary terms and conditions, including, without limitation, affirmative and negative covenants such as information reporting requirements, maximum secured indebtedness to total asset value, minimum EBITDA (earnings before interest, taxes, depreciation, amortization or extraordinary items) to fixed charges, and maintenance of a minimum net worth. The 2022 Facility also contains customary events of default with customary notice and cure, including, without limitation, nonpayment, breach of covenant, misrepresentation of representations and warranties in a material respect, cross-default to other major indebtedness, change of control, bankruptcy and loss of REIT tax status.

On March 22, 2019, we, through our Operating Partnership, entered into a Note Purchase and Guarantee Agreement (the “Note Agreement”) together with certain subsidiary guarantors as initial guarantor parties thereto (the “Subsidiary Guarantors”) and The Prudential Insurance Company of America and the various other purchasers named therein (collectively, the “Purchasers”) providing for the issuance and sale of $100 million of senior unsecured notes of the Operating Partnership, of which (i) $50 million are designated as 5.09% Series A Senior Notes due March 22, 2029 (the “Series A Notes”) and (ii) $50 million are designated as 5.17% Series B Senior Notes due March 22, 2029 (the “Series B Notes” and, together with the Series A Notes, the “Notes”) pursuant to a private placement that closed on March 22, 2019 (the “Private Placement”). Obligations under the Notes are unconditionally guaranteed by the Company and by the Subsidiary Guarantors.

On December 16, 2022, Whitestone REIT (the “Company”) and its operating partnership, Whitestone REIT Operating Partnership, L.P. (the “Operating Partnership”), amended its Note Purchase and Guarantee Agreement originally executed on March 22, 2019 (the “Existing Note Agreement”), pursuant to the terms and conditions of an Amendment No. 1 to Note Purchase and Guaranty Agreement, dated as of December 16, 2022 (the Existing Note Purchase Agreement, as so amended, the “Amended Note Agreement”), by and among the Company and the Operating Partnership, together with certain subsidiary guarantors as initial guarantor parties thereto and The Prudential Insurance Company of America and the various other purchasers named therein.

Neither the term of the Existing Note Agreement, the interest rate, nor the principal amounts, were amended. The purpose of the amendment is to conform certain covenants and defined terms contained in the Amended Note Agreement with the Company’s recently amended unsecured credit facility with the lenders party thereto, Bank of Montreal, as administrative agent, Truist Bank, as syndication agent, and BMO Capital Markets Corp., Truist Bank, Capital One, National Association, and U.S. Bank National Association, as co-lead arrangers and joint book runners.

The principal of the Series A Notes began to amortize on March 22, 2023 with annual principal payments of approximately $7.1 million. The principal of the Series B Notes will begin to amortize on March 22, 2025 with annual principal payments of $10.0 million. The Notes will pay interest quarterly on the 22nd day of March, June, September and December in each year until maturity.

The Operating Partnership may prepay at any time all, or from time to time part of, the Notes, in an amount not less than $1,000,000 in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus a make-whole amount. The make-whole amount is equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the Notes being prepaid over the aggregate principal amount of such Notes (as described in the Note Agreement). In addition, in connection with a Change of Control (as defined in the Note Purchase Agreement), the Operating Partnership is required to offer to prepay the Notes at 100% of the principal amount plus accrued and unpaid interest thereon.

The Note Agreement contains representations, warranties, covenants, terms and conditions customary for transactions of this type and substantially similar to the Operating Partnership’s existing senior revolving credit facility, including limitations on liens, incurrence of investments, acquisitions, loans and advances and restrictions on dividends and certain other restricted payments. In addition, the Note Agreement contains certain financial covenants substantially similar to the Operating Partnership’s existing senior revolving credit facility, including the following:

- maximum total indebtedness to total asset value ratio of 0.60 to 1.00;
- maximum secured debt to total asset value ratio of 0.40 to 1.00;
- minimum EBITDA (earnings before interest, taxes, depreciation, amortization or extraordinary items) to fixed charges ratio of 1.50 to 1.00;
- maximum secured recourse debt to total asset value ratio of 0.15 to 1.00;
- maintenance of a minimum tangible net worth (adjusted for accumulated depreciation and amortization) of 75% of the Company's total net worth as of December 31, 2021 plus 75% of the net proceeds from additional equity offerings (as defined therein); and
- minimum adjusted property NOI to implied unencumbered debt service ratio of 1.50 to 1.00.

In addition, the Note Agreement contains a financial covenant requiring that maximum unsecured indebtedness not exceed the ratio of unsecured indebtedness to unencumbered asset pool of 0.60 to 1.00. That covenant is substantially similar to the borrowing base concept contained in the Operating Partnership's existing senior revolving credit facility.

The Note Agreement also contains default provisions, including defaults for non-payment, breach of representations and warranties, insolvency, non-performance of covenants, cross-defaults with other indebtedness and guarantor defaults. The occurrence of an event of default under the Note Agreement could result in the Purchasers accelerating the payment of all obligations under the Notes. The financial and restrictive covenants and default provisions in the Note Agreement are substantially similar to those contained in the Operating Partnership's existing credit facility.

Net proceeds from the Private Placement were used to refinance existing indebtedness. The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. The Notes were sold in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act.

As of September 30, 2023 March 31, 2024, our $137.0 $123.11 million in secured debt was collateralized by six four properties with a carrying value of $212.9 $190.7 million. Our loans contain restrictions that would require the payment of prepayment penalties for the acceleration of outstanding debt and are secured by deeds of trust on certain of our properties and by assignment of the rents and leases associated with those properties. As of September 30, 2023 March 31, 2024, we were in compliance with all loan covenants.

Refer to Note 7 (Debt) to the accompanying consolidated financial statements for additional information regarding debt.

Capital Expenditures

We continually evaluate our properties' performance and value. We may determine it is in our shareholders' best interest to invest capital in properties that we believe have potential for increasing value. We also may have unexpected capital expenditures or improvements for our existing assets. Additionally, we intend to continue investing in similar properties outside of the markets on which we focus in cities with exceptional demographics to diversify market risk, and we may incur significant capital expenditures or make improvements in connection with any properties we may acquire.

The following is a summary of the Company's capital expenditures for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Capital expenditures:						
Tenant improvements and allowances	$ 997	$ 2,266	$ 4,452	$ 6,880	$ 3,267	$ 1,463
Developments / redevelopments	932	475	2,817	1,705	1,471	543
Leasing commissions and costs	617	831	1,682	2,127	754	414
Maintenance capital expenditures	1,711	1,206	5,142	2,558	265	1,523
Total capital expenditures (1)	$ 4,257	$ 4,778	$ 14,093	$ 13,270	$ 5,757	$ 3,943

(1) Total capital expenditures include the accrued capital expenditure, which amounted to $1,962,000 for the three months ended March 31, 2024.

Distributions

U.S. federal income tax law generally requires that a REIT distribute annually to its shareholders at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates on any taxable income that it does not distribute. We currently, and intend to continue to, accrue distributions quarterly and make distributions in three monthly installments following the end of each quarter. For a discussion of our cash flow as compared to dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

The timing and frequency of our distributions are authorized and declared by our Board of Trustees in exercise of its business judgment based upon a number of factors, including:

- our funds from operations;
- our debt service requirements;
- our capital expenditure requirements for our properties;
- our taxable income, combined with the annual distribution requirements necessary to maintain REIT qualification;
- requirements of Maryland law;
- our overall financial condition; and
- other factors deemed relevant by our Board of Trustees.

Any distributions we make will be at the discretion of our Board of Trustees and we cannot provide assurance that our distributions will be made or sustained in the future.

On February 22, 2022 March 5, 2024, the Company announced an increase to its quarterly distribution to $0.12 $0.12375 per common share and OP unit, equal to a monthly distribution of $0.04, $0.04125, beginning with the April 2022 2024 distribution. The Board will continue to regularly reassess the dividend level.

During the nine three months ended September 30, 2023 March 31, 2024, we paid distributions to our common shareholders and OP unit holders of $18.0 million $6.0 million, compared to $17.3 $6.0 million in the nine three months ended September 30, 2022 March 31, 2023. Common shareholders and OP unit holders receive monthly distributions. Payments of distributions are declared quarterly and paid monthly. The following table summarizes the cash distributions paid or payable to holders of our common shares and noncontrolling OP units during each quarter of 2022 2023 and the nine three months ended September 30, 2023 March 31, 2024 (in thousands, except per share data):

Quarter Paid	Common Shares		Noncontrolling OP Unit Holders		Total	Common Shares		Noncontrolling OP Unit Holders		Total
	Distributions Per Common Share	Amount Paid	Distributions Per OP Unit	Amount Paid	Amount Paid	Distributions Per Common Share	Amount Paid	Distributions Per OP Unit	Amount Paid	Amount Paid
2023										
Third Quarter	$ 0.1200	$ 5,928	$ 0.1200	$ 83	$ 6,011					
Second Quarter	0.1200	5,913	0.1200	83	5,996					
2024										
First Quarter	0.1200	5,913	0.1200	83	5,996	$ 0.1200	$ 5,969	$ 0.1200	$ 80	$ 6,049
Total	$ 0.3600	$ 17,754	$ 0.3600	$ 249	$ 18,003	$ 0.1200	$ 5,969	$ 0.1200	$ 80	$ 6,049
2022										
2023										
Fourth Quarter	$ 0.1200	$ 5,909	$ 0.1200	$ 83	$ 5,992	$ 0.1200	$ 5,930	$ 0.1200	$ 83	$ 6,013
Third Quarter	0.1200	5,901	0.1200	88	5,989	0.1200	5,928	0.1200	83	6,011
Second Quarter	0.1200	5,880	0.1200	92	5,972	0.1200	5,913	0.1200	83	5,996
First Quarter	0.1075	5,268	0.1075	83	5,351	0.1200	5,913	0.1200	83	5,996
Total	$ 0.4675	$ 22,958	$ 0.4675	$ 346	$ 23,304	$ 0.4800	$ 23,684	$ 0.4800	$ 332	$ 24,016

Taxes

We elected to be taxed as a REIT under the Code beginning with our taxable year ended December 31, 1999. As a REIT, we generally are not subject to federal income tax on income that we distribute to our shareholders. 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 rates. We believe that we are organized and operate in a manner to qualify and be taxed as a REIT, and we intend to operate so as to remain qualified as a REIT for federal income tax purposes.

Environmental Matters

Our properties are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which our operations are conducted. From our inception, we have incurred no significant environmental costs, accrued liabilities or expenditures to mitigate or eliminate future environmental contamination.

Off-Balance Sheet Arrangements

Guarantees. We may guarantee the debt of a real estate partnership primarily because it allows the real estate partnership to obtain funding at a lower cost than could be obtained otherwise. This results in a higher return for the real estate partnership on its investment, and a higher return on our investment in the real estate partnership. We may receive a fee from the real estate partnership for providing the guarantee. Additionally, when we issue a guarantee, the terms of the real estate partnership's partnership agreement typically provide that we may receive indemnification from the real estate partnership or have the ability to increase our ownership interest. See Note 6 (Investment in Real Estate Partnership) to the accompanying consolidated financial statements for information related to our guarantee of our real estate partnership's debt.

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, we are not subject to foreign exchange rate or commodity price risk. 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. Our interest rate risk objective is to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve this objective, we manage our exposure to fluctuations in market interest rates for our borrowings through the use of fixed rate debt instruments to the extent that reasonably favorable rates are obtainable.

All of our financial instruments were entered into for other than trading purposes.

Fixed Interest Rate

As of September 30, 2023 March 31, 2024, $545.7 $526.3 million, or approximately 86% 82% of our total outstanding debt, was subject to fixed interest rates, which limit the risk of fluctuating interest rates. Although a change in the market interest rates affects the fair market value of our fixed interest rate debt, it does not impact net income to shareholders or cash flows. Our total outstanding fixed interest rate debt had an average effective interest rate as of September 30, 2023 March 31, 2024 of approximately 4.70% per annum with scheduled maturities ranging from 2023 to 2029. See Note 7 (Debt) to the accompanying consolidated financial statements for further detail. Holding other variables constant, a 1% increase or decrease in interest rates would cause a $16.3 $13.8 million decline or increase, respectively, in the fair value for our fixed rate debt.

Variable Interest Rate Debt

As of September 30, 2023 March 31, 2024, $87.5 $119.0 million, or approximately 14% 18% of our outstanding debt, was subject to floating interest rates of SOFR plus 1.50% to 2.10% and not currently subject to a hedge. The impact of a 1% increase or decrease in interest rates on our non-hedged variable rate debt would result in a decrease or increase of annual net income of approximately $0.9 $1.2 million, respectively.

Credit Risk

Credit risk may be increased as a result of macroeconomic factors such as inflation, rising interest rates, and financial institution disruptions. Actions taken by the U.S. and international governments to decrease the impact of inflation, including rising interest rates, may result in a continued decline in global economic activity generally, and may adversely affect the financial condition of our tenants in particular. Although the full extent of the adverse impacts on our tenants cannot be predicted, in future periods we may experience reductions in on-time payments or closures of tenants' businesses, which could have a material adverse effect on our results of operations, cash flows and financial condition.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate 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"). Disclosure controls and procedures means controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023March 31, 2024, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the ninethree months ended September 30, 2023March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on our financial position, results of operations or liquidity.

Guarantor for Pillarstone OP's loan

The Company has a limited guarantee on Pillarstone OP'sOP's loan for its Uptown Tower property located in Dallas, Texas, with an aggregate principal amount of $14.4 million as of September 30, 2023. The guarantee is a so-called "bad boy" carve-out guarantee, which is generally only applicable if and when the borrower engages in acts such as fraud, prohibited transfers, breaches of material representations, environmental matters, and bankruptcy. The debt matured on October 4, 2023, and is currently in default, as Pillarstone OP failed to refinance the loan. The loan is also secured by the Uptown Tower property. While the Company has not recorded a contingent liability, there remains the possibility that the acts of Pillarstone OP could result in liability to us under the guarantee. On October 24, 2023, the lenderLender provided notice of a planned foreclosure sale on December 5, 2023. The lender is claimingLender also claimed that an additional sum of $4.6 million is$4.6 million was due which includesincluded default interest of approximately $6.3 million and net credits from escrowed funds and other charges of approximately $1.7 million.

On December 1, 2023, the Company reached an agreement with the Lender that would avoid foreclosure and secure the release of the lien and discharge of the guarantee, and the Company negotiated and satisfied a payoff as of December 4, 2023, in the amount of $13,632,764 (the "DPO Amount"). The DPO Amount included a compromise settlement of approximately $1,688,000 for the disputed default interest charges areand other fees. The Company's share of it was recorded in the 4th quarter of fiscal year 2023 in the financial statement line equity (deficit) in earnings of real estate partnership. Per the agreement, this payment would satisfy the Loan. The Company wired the DPO Amount to Lender on December 4, 2023, with accompanying releases as required by Lender, fully satisfying the agreement.

On December 1, 2023, Pillarstone OP authorized and filed the Chapter 11 bankruptcy of its special purpose entity borrower that owns Uptown Tower, in the United States Bankruptcy Court for the Northern District of Texas. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. On February 9, 2024, the Lender filed suit in New York County against the guarantor Whitestone OP and the Company for alleged amounts due under the guarantee. On March 4, 2024, Pillarstone REIT authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and the remainder of its special purpose entities in the United States Bankruptcy Court for the Northern District of Texas (the "Pillarstone Bankruptcies"). The Company paid the DPO amount and will be entitled to assert a subrogation claim against Pillarstone OP.

On April 24, 2024, the lender and Pillarstone OP filed a motion with the bankruptcy court seeking approval to settle the dispute and we believe thatdismiss their mutual lawsuits including the value of Uptown Tower exceeds the total amount claimedlawsuit by the lender.lender against the Company as Guarantor of the loan. On or before June 10, 2024, Pillarstone OP agreed to pay to the lender the sum of $1,123,950.24 plus all attorneys' fees and costs (not to exceed $20,000.00) incurred by the lender from April 10, 2024 through the date of receipt of such payment. Upon timely receipt of the cash payment from Pillarstone OP, the lender shall retain and apply the $13,632,764.25 tendered to it by Whitestone REIT Operating Partnership, L.P. on or about December 4, 2023.

Former COO Litigation

On May 9, 2023May 9, 2023, the Company's former COO, John Dee, filed suit against the Company in the District Court of Harris County, Texas. Claimant purports to assert claims for breach of his change-in-control agreement arising from the Company's termination of its former CEO James Mastandrea for cause, and is seeking monetary relief in excess of $1,000,000$1,000,000 in damages and equitable relief. The Company denies the claims, has substantial legal and factual defenses against the claims, and intends to vigorously defend against the claims. The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of this action.

Litigation between the Company and Pillarstone REIT

On September 16, 2022, Pillarstone Capital REIT and Pillarstone Capital REIT Operating Partnership, L.P. filed suit against the Company and certain of its subsidiaries (Whitestone TRS, Inc. and Whitestone REIT Operating Partnership, L.P.) along with certain of its executives (Peter Tropoli, Christine Mastandrea, and David Holeman) in the District Court of Harris County, Texas, alleging claims relating to the limited partnership agreement between Pillarstone Capital REIT and Whitestone REIT Operating Partnership, as well as the termination of Management Agreements between Pillarstone Capital REIT Operating Partnership, L.P. and Whitestone TRS, Inc. On November 25, 2022, the claims against Peter Tropoli, Christine Mastandrea and David Holeman were dismissed. The claimants seek monetary relief in excess of $1,000,000 in damages and equitable relief. However, the Company denies the claims, has substantial legal and factual defenses against the claims, and intends to vigorously defend against the claims. The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of this action.

Former CEO Litigation

On February 23, 2022, the Company's former CEO, James Mastandrea, filed suit against the Company and certain of its trustees (Nandita Berry, Jeff Jones, Jack Mahaffey, and David Taylor) and officers (David Holeman, Christine Mastandrea, Peter Tropoli) in the District Court of Harris County, Texas, alleging $25 million in damages and equitable relief claims relating to the termination of his employment. Claimant purports to assert claims for employment, including breach of his employment contract, negligence, tortious interference with contract, civil conspiracy, and declaratory judgment. On September 12, 2022, the claim for breach of fiduciary duty was dismissed and a claim for negligence was added (as to the trustee defendants). The claimant seeks a maximum

On December 6, 2023, the 215th District Court of $25 million in damages and equitable relief. The Company denies the claims and filed a motion for Harris County granted summary judgement as to and dismissed all claims that was heard on September 21, 2023. The Court has not yet ruled on that motion but against the Company has substantial legal related to the termination of Mr. Mastandrea. The court also dismissed all claims against certain of the Company's trustees and factual defenses officers. The dismissal is subject to appeal. A trial to adjudicate the Company's counter-claims against the claims Mr. Mastandrea for breach of fiduciary duty, theft, and intends conversion of company property is scheduled to continue to vigorously defend against the claims. The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect begin on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of this action. August 12, 2024.

Pillarstone Rights Plan

On December 26, 2021, the Board of Trustees of Pillarstone REIT adopted a new shareholder rights agreement (the "Pillarstone Rights Agreement"), pursuant to which each holder of Pillarstone REIT common stock received one preferred share purchase right (a "Right") per common share held as of the applicable record date. Each Right entitles the registered holder to purchase from Pillarstone REIT one one-thousandth (a "Unit") of a series D preferred share of Pillarstone at a purchase price ("Purchase Price") of $7.00 per Unit, subject to adjustment. The Rights are exercisable upon the occurrence of certain events as described in the Pillarstone Rights Agreement, including the acquisition by certain holders of 5% or more of the common shares of Pillarstone REIT (an "Acquiring Person"). Upon the acquisition of Pillarstone REIT common shares by an Acquiring Person, each holder of a Right (other than an Acquiring Person), will have the right to receive upon exercise a number of Pillarstone REIT common shares having a market value of two times the Purchase Price.

As set forth in the Amended and Restated Limited Partnership Agreement of Pillarstone OP, dated as of December 8, 2016 (the "Pillarstone Partnership Agreement"), we have the contractual right to have our limited partnership interests in Pillarstone redeemed at our discretion. However, upon receipt of a redemption notice, Pillarstone OP has the option to pay the applicable redemption price in cash, based on the market value of Pillarstone REIT common shares, or in Pillarstone REIT common shares.To the extent we seek to have our partnership units in Pillarstone OP redeemed and Pillarstone OP elects to pay the applicable redemption price in Pillarstone REIT common shares (and such shares represent 5% or more of the outstanding common shares of Pillarstone REIT), the Rights could become exercisable. To the extent the Rights are exercised as a result of our Pillarstone OP units being redeemed for Pillarstone REIT common shares, our ownership interest in Pillarstone REIT would be significantly diluted, which could adversely impact the value of our investment in Pillarstone OP.

Because Pillarstone REIT seeks sought to use the Pillarstone Rights Agreement to prevent Whitestone OP from exercising its contractual Redemption Right, on July 12, 2022, Whitestone OP filed suit against Pillarstone REIT in the Court of Chancery of the State of Delaware challenging the Pillarstone Rights Agreement due to Pillarstone REIT's alleged (i) breach of the Pillarstone Partnership Agreement, (ii) breach of its fiduciary duty as general partner of Pillarstone OP to Whitestone OP, (iii) and breach of the implied covenant of good faith and fair dealing under the Pillarstone Partnership Agreement. The lawsuit seeks rescission and voiding of the Pillarstone Rights Agreement; a declaration that the Pillarstone Rights Agreement is unenforceable, invalid, and of no force and effect; an order permanently enjoining enforcement of the Pillarstone Rights Agreement; an award of monetary damages; and broad restrictions on Pillarstone REIT's ability to conduct its business, including buying properties, enforcing the Rights Agreement, incurring expenses, or engaging in transactions.

On September 8, 2022, Whitestone OP's Motion to Preserve the Status Quo was granted by the Court, limiting Pillarstone OP from engaging in any acts outside the ordinary course of business and otherwise imposing restrictions on Pillarstone OP to ensure that Whitestone's right of redemption is not impaired while the underlying dispute is being considered by the Court.

Trial was On January 25, 2024, the Delaware Court of Chancery: held on July 17-18, 2023, that Pillarstone breached the implied covenant of good faith and the post-trial briefing was held on October 18, 2023. Thereafter, the Court will issue a decision on Whitestone OP's outstanding claims.

Whitestone OP is asking the Court to declare fair dealing when it adopted the Pillarstone Rights Agreement that thwarted Whitestone OP from exercising the unfettered contractual redemption right it obtained in connection with its investment in the partnership; and the Court held that the Rights Plan was unenforceable as to the limited partner and to permit allowed Whitestone OP to tender exercise its redemption right; allowed Pillarstone to determine the current value of the Partnership's assets; and, as necessary, later enter a Notice of Redemption. In addition (or alternatively), Whitestone OP seeks an award of monetary damages of at least $51,200,600 based on judgment against Pillarstone for the difference between the amount that Pillarstone's misconduct precluded Whitestone OP from receiving would have received in or around December 2021 and the current value.

On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP.

On March 4, 2024, Pillarstone REIT authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and the remainder of its special purpose entities in the United States Bankruptcy Court for the Northern District of Texas.

As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as well as an award required by the partnership agreement. We intend to pursue collection of pre- amounts due from Pillarstone OP through all means necessary and post-judgment interest at while we do not know the statutory rate. ultimate amount to be collected, we believe the amount will be in excess of the current carrying value of our equity investment in Pillarstone OP.

Item 1A. Risk Factors.

There has been no material change in our risk factors from those previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) During the period covered by this Quarterly Report on Form 10-Q, we did not sell any equity securities that were not registered under the Securities Act of 1933, as amended.

(b) Not applicable.

(c) During the three months ended September 30, 2023 March 31, 2024, certain of our employees tendered owned common shares to satisfy the tax withholding on the lapse of certain restrictions on restricted common shares issued under the 2018 Plan. The following table summarizes all of these repurchases during the three months ended September 30, 2023 March 31, 2024.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
July 1, 2023 - July 31, 2023	22,831	$ 10.32	N/A	N/A
August 1, 2023 - August 31, 2023	—	—	N/A	N/A
September 1, 2023 - September 30, 2023	—	—	N/A	N/A
Total	22,831	$ 10.32		

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
January 1, 2024 - January 31, 2024	118,412	$ 12.18	N/A	N/A
February 1, 2024 - February 29, 2024	—	—	N/A	N/A

March 1, 2024 - March 31, 2024	—	—	N/A	N/A
Total	118,412	$ 12.18		

(1) The number of shares purchased represents common shares held by employees who tendered owned common shares to satisfy the tax withholding on the lapse of certain restrictions on restricted common shares issued under the 2018 Plan. With respect to these shares, the price paid per share is based on the fair market value at the time of tender.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended September March 31, 2024, 30,2023,no trustee or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

The exhibits listed on the accompanying Exhibit Index are filed, furnished and incorporated by reference (as stated therein) as part of this Report.

EXHIBIT INDEX

Exhibit No.	Description
3.1.1	Articles of Amendment and Restatement of Whitestone REIT (previously filed as and incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on July 31, 2008)
3.1.2	Articles Supplementary (previously filed as and incorporated by reference to Exhibit 3(i).1 to the Registrant's Current Report on Form 8-K, filed on December 6, 2006)
3.1.3	Articles of Amendment (previously filed as and incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on August 24, 2010)
3.1.4	Articles of Amendment (previously filed as and incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed on August 24, 2010)
3.1.5	Articles Supplementary (previously filed as and incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K, filed on August 24, 2010)
3.1.6	Articles of Amendment (previously filed as and incorporated by reference to Exhibit 3.1.1 to the Registrant's Current Report on Form 8-K, filed on June 27, 2012)
3.1.7	Articles of Amendment (previously filed as and incorporated by reference to Exhibit 3.1.2 to the Registrant's Current Report on Form 8-K, filed on June 27, 2012)
3.1.8	Articles of Amendment (previously filed as and incorporated by reference to Exhibit 3.1.8 to the Registrant's Annual Report on Form 10-K, filed on March 2, 2020)

3.1.9	Articles Supplementary for Series A Preferred Shares (previously filed and incorporated by reference to Exhibit 3.1. to the Registrant's Current Report on Form 8-K filed on May 15, 2020)
3.2.1	Amended and Restated Bylaws of Whitestone REIT (previously filed as and incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on March 24,2020)
3.2.2	Amendment No. 1 to Amended and Restated Bylaws of Whitestone REIT (previously filed as and incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed January 19, 2022
3.2.3	Amendment No. 2 to Amended and Restated Bylaws of Whitestone REIT (previously filed as and incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed March 30, 2022)
10.2	Severance and Change in Control Agreement dated as of May 23, 2022 among Whitestone REIT and David K. Holeman (previously filed as and incorporated by reference to Exhibit 10.1*+ on Form 10-Q, filed August 8, 2022).
10.3	Severance and Change in Control Agreement dated as of May 23, 2022 among Whitestone REIT and Christine Mastandrea (previously filed as and incorporated by reference to Exhibit 10.2*+ on Form 10-Q, filed August 8, 2022).
10.4	Severance and Change in Control Agreement dated as of May 23, 2022 among Whitestone REIT and J. Scott Hogan (previously filed as and incorporated by reference to Exhibit 10.3*+ on Form 10-Q, filed August 8, 2022).
10.5	Severance and Change in Control Agreement dated as of May 23, 2022 among Whitestone REIT and Peter A Tropoli (previously filed as and incorporated by reference to Exhibit 10.4*+ on Form 10-Q, filed August 8, 2022).
10.6	Severance and Change in Control Agreement dated as of May 23, 2022 among Whitestone REIT and Soklin "Michelle" Siv (previously filed as and incorporated by reference to Exhibit 10.5*+ on Form 10-Q, filed August 8, 2022).
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information of the Registrant for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 (unaudited) and December 31, 2022 December 31, 2023, (ii) the Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited), (iii) the Consolidated Statements of Changes in Equity for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited), (iv) the Consolidated Statement of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited) and (v) the Notes to the Consolidated Financial Statements (unaudited).
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document and in Exhibit 101.

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* Filed herewith.

** Furnished herewith.

\+ Denotes management contract or compensatory plan or arrangement.

SIGNATURES

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

WHITESTONE REIT

Date: November 1, 2023 May 2, 2024

/s/ David K. Holeman
David K. Holeman
Chief Executive Officer
(Principal Executive Officer)

Date: November 1, 2023 May 2, 2024

/s/ John S. Hogan
John S. Hogan
Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, David K. Holeman, certify that:

1. I have reviewed this quarterly report on Form 10-Q, for the period ended September 30, 2023 March 31, 2024, of Whitestone REIT;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2023 May 2, 2024

/s/ David K. Holeman

David K. Holeman
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John S. Hogan, certify that:

1. I have reviewed this quarterly report on Form 10-Q, for the period ended September 30, 2023 March 31, 2024, of Whitestone REIT;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2023 May 2, 2024

/s/ John S. Hogan

John S. Hogan

Chief Financial Officer

Exhibit 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

In connection with the quarterly report of Whitestone REIT, a Maryland real estate investment trust (the “Company”) on Form 10-Q for the period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David K. Holeman, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 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.

/s/ David K. Holeman

David K. Holeman

Chief Executive Officer

Date: November 1, 2023 May 2, 2024

Exhibit 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

In connection with the quarterly report of Whitestone REIT, a Maryland real estate investment trust (the “Company”) on Form 10-Q for the period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John S. Hogan, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 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.

/s/ John S. Hogan

John S. Hogan

Chief Financial Officer

Date: November 1, 2023 May 2, 2024

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